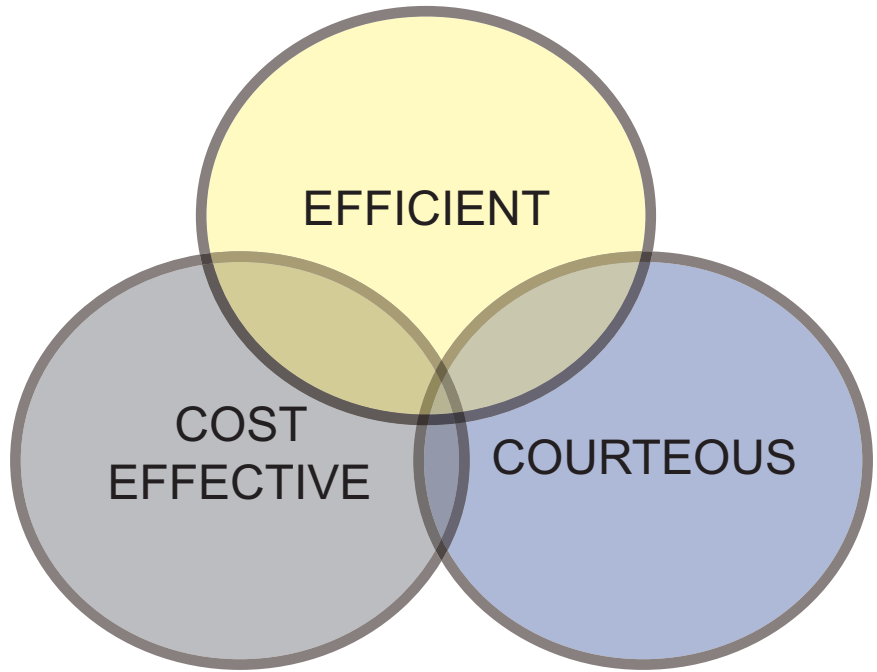


CITY OF SANTA MARIA

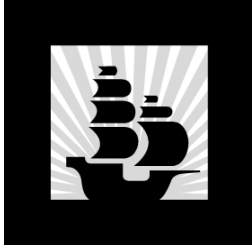


Comprehensive
ANNUAL
FINANCIAL
Report

FOR FISCAL YEAR ENDED JUNE 30, 2013



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**City of Santa Maria
California**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

*Prepared by the Department of Administrative Services
Rene Visé, Director of Administrative Services*

www.cityofsantamaria.org/40361.shtml



City of Santa Maria
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013

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City of Santa Maria

Department of Administrative Services

December 13, 2013

Honorable Mayor and Members of the City Council City of Santa Maria, California

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (USGAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, staff is pleased to submit the City of Santa Maria's (City) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rest with the City. Management of the City has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with USGAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City, City staff, creditors, investors, and other concerned readers. City staff encourages all readers to contact the Department of Administrative Services with any questions or comments concerning this report.

Moss, Levy and Hartzheim, LLP, a firm of licensed certified public accountants, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for fiscal year ended June 30, 2013, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2013 are fairly presented in conformity with USGAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, Federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in the City's separately issued Single Audit Report.

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2013

USGAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A. The City's MD&A can be found immediately following the report by the independent auditors.

Profile of the Government

The City, incorporated on September 12, 1905, is located on the Central Coast of California, which is famous for its high quality of life and year-round mild climate. Currently, the City has a land area of 23 square miles and a population of 100,306. Property taxes are collected by Santa Barbara County and are limited to one percent of assessed value on real and personal property. The City receives property tax revenues from Santa Barbara County based on an average apportionment rate of 11.9 percent of all property tax collected within its boundaries. The City has the power, by State statute, to extend its corporate limits by annexation, which is done when deemed appropriate by the City Council.

Santa Maria is a charter city and operates under the council-manager form of government. Policy making and legislative authority are vested in the City Council, which consists of a mayor and four members elected at large on a non-partisan basis. Councilmembers are elected to four-year staggered terms with two councilmembers elected every two years. The Mayor, City Clerk, and City Treasurer are elected to four-year terms. The City Council is responsible, among other things, for adopting ordinances and the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and appointing the heads of the City's departments.

The City provides a full range of municipal services including: police and fire protection; street maintenance; public transportation; recreation; parks; water; wastewater; refuse services; planning; building; safety services; and general government activities.

Factors Affecting Financial Condition

The City's key revenues are affected by the condition of the local economy and by State and Federal economic trends. Santa Barbara County-San Luis Obispo County regions, the State, and the Nation are slowly recovering from an economic recession.

It has been almost four years since the National Bureau of Economic Research (NBER) officially dated the end of the recession in December 2009. This implies that the U.S., State of California, Santa Barbara County and the City of Santa Maria are now four years into an economic recovery. There have been 13 straight quarters of positive growth in the U.S. gross domestic product (GDP) and unemployment is now 7.0 percent at the National level. In Santa Barbara County, the unemployment rate is 6.1 percent versus 7.7 percent in December 2012 whereas the City's unemployment rate is 9.6 percent versus 12.4 percent in December 2012. In July 2010, the City's unemployment rate was 14.2 percent.

After several years of decline, the housing market has stabilized and now appears to be in recovery. The State Department of Finance (DOF) is estimating, in the State budget, that property tax revenue will increase 2.8 percent Statewide. For most areas of the State, residential property values hit bottom in 2011-12. Through last year, most county assessors continued to

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2013

apply Proposition 8 to reduce residential property values. Proposition 8 requires assessors to lower values when they determine that the market value of a property is less than its Proposition 13 taxable value.

Santa Maria has the largest population on the Central Coast and offers the most housing stock. Santa Maria also had the most bank owned residential assets over the last few years. Lender Real Estate Owned (REO's) properties and short sales are down from last year. It appears the back-log of distressed residential inventory is thinning and analysts are backing away from the prediction of a new round of distressed housing inventory coming on the market. Housing prices have risen and the median home price is currently \$271,000, comparable to prices in 2003. However, it may be several years until values climb back to levels of several years ago.

California's adopted budget for 2013-14 is \$98.2 billion and maintains a projected \$1.1 billion reserve leaving the State in the most stable fiscal footing in well over a decade. With tough spending cuts enacted over the past two years and new temporary revenues provided by the passage of Proposition 30, the State's budget is projected to remain balanced for the near future. Yet, the budget remains balanced by only a narrow margin. Further, the State must begin to plan now to ensure the budget will remain balanced after the temporary Proposition 30 increase in sales tax and personnel income tax rates expire.

In fiscal year 2012, the State was successful in eliminating redevelopment agencies (RDA) throughout the State. The effect of the elimination on the City's General Fund is increased debt payments of \$1.2 million per year on the 2003 RDA Lease Revenue Refunding Bonds. The ABX1 26 legislation requires that redevelopment tax increment be pledged as payment for revenue refunding bonds. The pledge for the 2003 bonds is lease payments from the City to the RDA. Therefore, the \$1.2 million in annual tax increment is disbursed to the other taxing entities. In fiscal year 2013, Santa Barbara County received \$5.1 million in dissolution proceeds from former RDA's. The City will receive approximately \$122,000 from the \$1.2 million distribution. The City will use General Fund reserves to pay the \$1.2 million next year. The final debt service payment occurs in fiscal year 2016 with the final two years of debt payments coming from the Debt Service Reserve Fund.

Santa Barbara County adopted their 2013-14 budget with Operating Expenditures of \$844.5 million and Operating Revenues of \$839.5 million leaving a deficit of \$5 million. The projected deficit is funded through Other Financing Sources and the use of Fund Balance. The budget is balanced with less use of one-time funding for ongoing operations than in the past. However, many departments are nearing the end of available financial reserves that have been used in recent years. The gap between Operating Revenues and Operating Expenditures widens to a negative \$13.7 million in the fiscal year 2014-15 Proposed Budget, as other costs, primarily retirement are predicted to peak in that year.

Santa Barbara County's staffing levels are proposed to decrease by 32.5 full-time equivalents (FTE's) from the 2012-13 Adopted Budget to 3,891.2 FTE's, down 572.5 FTE's since 2007-08.

Over the past year, the City has experienced positive trends in some economic segments led by consumer spending. However, those positive trends were offset by significant decreases in other fees for service revenue. In 2012-13, General Fund sales tax receipts, excluding Measure

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2013

U, were \$18.2 million, the largest amount since fiscal year 2008. Strong sales of automobiles are a dominant factor in recent increased sales activity. With the average age of vehicles on the road higher than ever, there is substantial pent-up demand for new models. Statewide, auto sales are expected to gain 12.1 percent in calendar year 2013 slowing to 4.5 percent in calendar year 2014.

The City adopted the 2013-14 Budget anticipating a \$5.5 million General Fund deficit. The City is fully deferring cost allocations to the Worker's Compensation Fund resulting in costs savings of \$1 million. This is the sixth year that such cost allocation deferral has been implemented to reduce General Fund costs. The City eliminated several vacant positions and, prior to hiring, will be evaluating on a case-by-case basis, all future vacant General Fund positions. In most cases, positions are being held vacant to achieve salary savings.

The City, like all local governments, is struggling to maintain existing service levels due to the downturn in the economy and reductions in major revenue sources. In 2013-14, property tax revenue is projected to generate \$531,000 less than the peak in 2008. Sales tax is forecast at \$18,242,000; \$182,000 greater than the pre-recessionary peak in 2008. Sales and property tax provide approximately 54 percent of General Fund revenues. Non-hazardous Hydrocarbon Impacted Soil (NHIS) revenue is projected to generate \$1 million less due to permitting delays associated with the Guadalupe Dunes Restoration Project and are about \$5 million less than in prior years.

On the expenditure side, staff will continue to hold off and not fill future General Fund vacancies, unless the vacancies are mission critical or essential to City operations. These savings, along with reserves of \$2.5 million from the Local Economic Augmentation Fund (LEAF) and \$3 million from General Fund reserves, was enough to balance the 2013-14 Budget. Included in the expense reductions is the continuation of salary and benefit concessions, as well as six mandatory furlough days, all of which annually saved a projected \$600,000. However, these types of cost containment measures can not be sustained without significant impacts to service and reserve levels.

Retirement costs are projected to increase significantly beginning in 2015-16. On April 17, 2013, the CalPERS Board of Directors adopted policy changes as it relates to smoothing and amortization periods. These changes will increase the City's employer rates over a period of five years beginning in 2015-16. The Chief Actuary from CalPERS recommended that CalPERS no longer use a 15-year smoothing period and instead use a direct smoothing method of five years along with a 30-year fixed amortization period. The result of this change will cause the average "miscellaneous" plan to experience a five percent rate increase over five years beginning in 2015-16, and the average "public safety" plan to experience an 8.5 percent increase over the same period of time.

In addition to these changes, the CalPERS Board is intending to reassess their discount rate (investment rate) as well as actuarial assumption changes, especially mortality rates. The adoption of these changes in the assumptions are under consideration, and **CalPERS is advising employers to brace themselves for significant increases in employer rates** above and beyond the aforementioned increases. The mortality assumption change could be an increase of two to four percent of payroll and the discount rate change could be an additional two to four

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2013

percent increase. Together, these two changes could increase rates four to eight percent and these increases would be in addition to the smoothing and amortization policy change rate increases previously mentioned.

These combined changes in CalPERS policy and assumption calculations could result in approximately a \$1 million increase CalPERS pension-related expenses in the General Fund in 2015-16 with additional increases anticipated in years 2016-17 through 2020-21.

A positive note is the passage of Measure U – a quarter cent sales tax increase passed by the voters on June 5, 2012 with 63.9 percent of the vote. The general tax, which is estimated to generate approximately \$4 million to \$5.5 million annually over the next nine years, increases the sales tax rate from 7.75 percent to 8 percent. For 2013-14, the City anticipates receiving approximately \$4 million and will be used to finance the operational costs of \$1.7 million of the newly constructed Fire Station #5 including the addition of a Battalion Chief and a 19 hour limited-service employee. \$1.6 million will be used to finance the costs of hiring seven Police Officers, five Police Sergeants, one Crime Analyst and one Dispatcher. The remaining receipts will be used to hire an additional Police Commander, a Parks Service Officer and a Code Compliance Officer, purchase self-contained breathing apparatus' for the Fire Department, finance the graffiti abatement and PAL programs and fund staff to increase Library hours.

Major Initiatives for the Fiscal Year

Future Police Department Building

In 2008, the City purchased the Lockheed Martin Building located at 1111 West Betteravia for the future home of the Santa Maria Police Department. The approximate size of that facility is 70,000 square feet and the purchase price was \$13,750,000. The current Santa Maria Police Department is located at 222 East Cook Street, along with an undisclosed off-site facility, is approximately 28,000 square feet. The new facility will allow for consolidation of the Department's operations, leave room for expansion, and provide for a seismically sound Emergency Operations Center.

Over the last few years, the City rented-back the facility to Lockheed Martin and has received approximately \$2.8 million in rental income that has been set-side to pay for the current seismic retrofit work being conducted as well as for future tenant improvement costs.

Phase I of this project deals with the seismic retrofit of the facility. The seismic retrofit work was substantially complete in November 2013 and cost approximately \$3.1 million. Phase II of this project consists of tenant improvement work to accommodate the relocation of all Department personnel (excluding dispatch) into this facility from the current Cook Street location and the other off-site location. Phase II is anticipated to start this Fall and be completed in late Spring or early Summer of 2014, and is anticipated to cost approximately \$10.3 million. After Phase II is complete, Phase III will commence. Phase III is relocating dispatch from its current location adjacent to the City Attorney's Office, to the Betteravia Facility; however, Phase III is not anticipated to commence until 2014-15. Staff is currently developing cost estimates for Phase III; however, unlike Phase I and Phase II, the City is eligible for State and Federal grant funding to help off-set the costs associated with Phase III.

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2013

Phase III will consist of moving all telecommunications, radio equipment and information systems from the basement in the existing Police Department as well as all dispatch personnel and equipment over to the new Betteravia facility. Next year, the City will be eligible for State and Federal funding to help with Phase III. In addition, the City has been in discussions with Santa Barbara County representatives as well as representatives from the California Superior Court System regarding their interest in purchasing the existing facility for expansion of the North County Court Complex.

The anticipated cost for Phase II is funded in the 2013-14 Budget and financed through General Capital Project Funds which will significantly draw down these one-time funds.

Financial Policies

The City's General Fund will endeavor to maintain a minimum, unassigned fund balance of at least 25 percent of operating appropriations. These reserves are needed to insulate the General Fund programs and current service levels from large and unanticipated one-time expenditure requirements, a revenue reduction due to a change in State or Federal legislation, and other unforeseen circumstances.

In 2010-11, the City adopted a General Fund Prudent Reserve under Governmental Accounting Standards Board (GASB) Statement Number 54. The prudent reserve amount is \$19.8 million. Appropriations from the reserve can only be made by formal City Council action and are limited to emergency situations such as:

- An unplanned, major event such as a catastrophic disaster requiring expenditures over five percent of the adopted General Fund Budget.
- Budgeted revenue taken over by another entity.
- A drop in projected/actual revenue of more than five percent of the adopted General Fund revenue budget.

Should the prudent reserve commitment be used, and its level falls below the minimum amount as described herein, the goal is to replenish the fund within three fiscal years.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the 23rd consecutive fiscal year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both USGAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one fiscal year. Staff believes that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and it will be submitted to the GFOA to determine its eligibility for another certificate.

The City also received an Excellence in Disclosure Award from the National Federation of Municipal Analysts (NFMA). The NFMA recognized those issuers who support the analyst

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2013

community by providing fulsome and timely disclosure. The City was recognized for its quarterly financial reports, monthly treasurer's reports, investment policy reports and debt service report along with annual CAFR's on the City's website.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of staff of the Department of Administrative Services. Each member of the department has the City's sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,

CITY OF SANTA MARIA



Rene M. Visé
Director of Administrative Services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Santa Maria
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

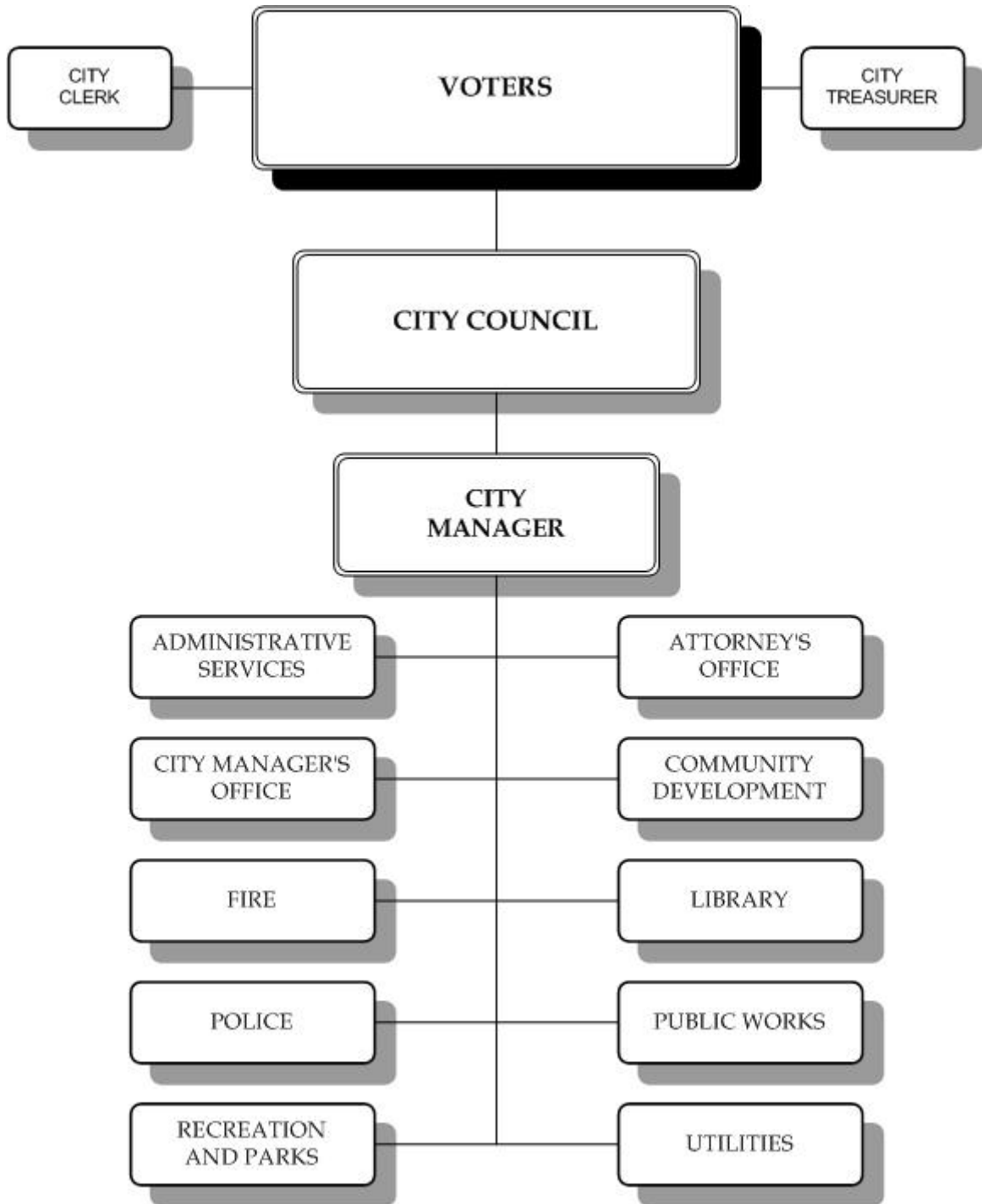
The City received a Certificate of Achievement of Excellence in Financial Reporting for the June 30, 2012 Comprehensive Annual Financial Report (CAFR) from the Government Finance Officers Association. This award is the highest form of recognition in governmental accounting and financial reporting.

This is a coveted award in the municipal financial arena at both the State and National levels, is given to municipalities preparing the CAFR in an exemplary fashion, and is in conformance with national guidelines. **This was the 23rd consecutive year that the City has received this award.**

City of Santa Maria

Organizational Chart

For the Fiscal Year Ended June 30, 2013



City of Santa Maria

List of Principal Officers

For the Fiscal Year Ended June 30, 2013

MAYOR

ALICE PATINO

MAYOR PRO TEM

BOB ORACH

COUNCILMEMBERS

JACK BOYSEN

WILLIE GREEN

TERRI ZUNIGA

CITY MANAGER

RICK HAYDON

CITY TREASURER

TERESSA HALL

CITY CLERK

PATTI RODRIGUEZ

CITY DEPARTMENTS AND DEPARTMENT HEADS

Administrative Services	Rene M. Visé
Attorney's Office	Gil Trujillo
City Manager's Office.....	Alicia Lara
City Manager's Office	Rhonda Barnhard
Community Development	Larry Appel
Fire.....	Dan Orr
Library	Mary Housel
Police.....	Ralph Martin
Public Works/Engineering.....	David Whitehead
Recreation and Parks	Alex Posada
Utilities	Rick Sweet



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

2400 PROFESSIONAL PARKWAY, STE. 205
SANTA MARIA, CA 93455
TEL: 805.925.2579
FAX: 805.925.2147
www.mlhepas.com

INDEPENDENT AUDITORS' REPORT

City Council of the City of Santa Maria
Santa Maria, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Maria, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the City of Santa Maria, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1 to the basic financial statements effective July 1, 2012, the City of Santa Maria adopted Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page F-5 through F-15, the budgetary comparison information on pages F-85 through F-86, the CalPERS schedules of funding progress on page F-87, and the schedule of funding progress for postemployment benefits other than pensions on page F-88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Santa Maria's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, combining internal service fund financial statements, combining agency funds financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, combining internal service fund financial statements, and combining agency funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the City of Santa Maria's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Moss, Remy & Hartgeim LLP

Santa Maria, California
December 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS



City of Santa Maria

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

The management of the City of Santa Maria (City) offer readers, of the City's financial statements, this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. Readers are encouraged to consider the information presented here in conjunction with the Letter of Transmittal beginning on page I-1 and the City's basic financial statements that begin on page F-17 of this report.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2013, the City's net position (excess of assets over liabilities) were \$433.7 million. Of this amount, \$150.8 million is available to meet the City's ongoing operations.
- During the fiscal year ended June 30, 2013, the City's net position decreased by \$14.0 million to \$433.7 million. This decrease reflects a decrease in governmental activities of 4.6 percent, whereas business-type activities showed a decrease of 0.6 percent. The decrease in governmental activities is primarily attributable to the pay off of Fire Department pension side-fund for \$5,572,242. The General Fund borrowed the funds from the Solid Waste Collection Fund through an inter-fund loan at 3 percent over ten years. The Fire side-fund had a remaining amortization period of fifteen years at 7.5 percent, resulting in interest savings \$2.9 million over the fifteen year period. At the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$60.5 million, a decrease of \$8.2 million from the prior fiscal year.
- The City recorded two prior period adjustments that reduced beginning net position by \$7.0 million. One was for the reporting of the Fire side fund created in 2003. This item of \$5.6 million should have been recorded as long term debt. In addition, the Transit Fund overstated Local Transportation Fund revenue in the prior fiscal year for \$1.4 million.
- On March 22, 2013, the City entered into a capital lease for \$4,905,000 to lease finance the purchase of various fleet equipment. The capital lease finances the purchase of 7, 10 and 12 year equipment with interest rates ranging from 2.14 percent for the 7 year lease to 2.68 percent for the 12 year lease.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10.6 million.

B. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three sections: 1) Government-wide Financial Statements; 2) Fund Financial Statements; and 3) Notes to Basic Financial Statements. This report contains other supplementary information in addition to the basic financial statements and required information.

City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Government-wide Financial Statements

The Government-wide Financial Statements are designed to provide readers with a broad overview of the City's financial position, in a manner similar to that of a private-sector business. These statements are reported on the full accrual basis of accounting. Thus, revenues and expenses are reported for some items that will not affect cash flows until future periods.

The Government-wide Financial Statements separate Governmental Activities that are principally supported by taxes and revenues from other agencies, from Business-type Activities that are intended to recover all, or a significant portion of their costs, through user fees and charges. The Governmental Activities of the City include: General Government, Public Safety, Public Works, Community Development, Recreation and Parks, Library and non-departmental. The City's Business-type Activities include: Water and Wastewater utilities, Solid Waste, and Transit.

The Government-wide Financial Statements include not only the City, but all legal entities for which the City is financially accountable. Accordingly, the financial information for the Santa Maria Public Financing Authority (SMPFA) is included as an integral part of the City's financial statements and reported as a blended component unit.

The Statement of Net Position presents information on all of the City's assets and liabilities; the difference between the two is reported as net position. These net position include infrastructure and all assets previously included in the General Fixed Assets Account Group. The liabilities include all obligations previously reported in the General Long-Term Debt Account Group. Evaluating the increases or decreases in the net position over time will serve as a useful indicator of whether the financial position of the City is improving or declining.

The Statement of Activities presents information on the net cost of each governmental function (activity) during the fiscal year. This statement also identifies the amount of general revenues needed to fully fund each governmental function.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

Governmental Funds (General, Special Revenue, Debt Service, and Capital Projects Funds) are used to account for the same functions reported as Governmental Activities in the Government-wide Financial Statements. The City's General Fund is considered the major fund and is reported separately on the Fund Financial Statements. All other governmental funds are non-major funds and data is combined into a single aggregated presentation. Individual fund

City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

data for each of these non-major governmental funds is provided in the form of combining statements as supplemental information in this report. Unlike Government-wide Financial Statements, Fund Financial Statements focus on short-term inflows and outflows of spendable resources. Governmental Funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. This information may be useful in evaluating the City's short-term financing requirements.

The focus of the Fund Financial Statements is narrower than that of the Government-wide Financial Statements. The various fund Balance Sheets and the Statement of Revenues, Expenditures, and Changes in Fund Balances require a reconciliation to facilitate the comparison between Fund Financial Statements and the Government-wide Financial Statements. This reconciliation is required because the Government-wide Financial Statements are prepared on the full accrual basis of accounting while the fund statements are prepared on the modified accrual basis of accounting. These reconciliations can be found on pages F-30 and F-33, immediately following the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds, respectively.

Proprietary Funds are Enterprise and Internal Service Funds. The City maintains two different types of Proprietary Funds. Enterprise Funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City uses Enterprise Funds to account for its water, wastewater, solid waste, and transit operations. Internal Service Funds are used to accumulate and allocate costs internally to various functions. The City uses Internal Service Funds to allocate fleet maintenance and replacement, business equipment, liability and workers' compensation insurance costs.

The Proprietary Fund Financial Statements provide the same type of information as the Government-wide Financial Statements, only in more detail. The Proprietary Fund Financial Statements provide separate information for the Water and Wastewater, Solid Waste, Transit, and the Internal Service Funds. The Water and Wastewater, Solid Waste and Transit Funds are considered major funds of the City. All of the Internal Service Funds are combined into a single, aggregated presentation in the Proprietary Fund Financial Statements. Individual fund data for the Internal Service Funds is provided in the form of combining statements.

Fiduciary Funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary Funds are not reflected in the Government-wide and Fund Financial Statements because the resources of those funds are not available to support the City's own programs. Fiduciary Funds are reported in the Financial Section.

Included in fiduciary funds is the Successor Agency Private Purpose Trust Fund (SAPPTF) created upon dissolution of the RDA. The SAPPTF was created to hold the assets of the former RDA until they are distributed to other taxing entities in the county after the payment of enforceable obligations.

City of Santa Maria
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Notes to Basic Financial Statements. The notes provide additional information that is essential to the reader for a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Other Information. A budgetary comparison statement for the General Fund, and information regarding the City's progress in funding its obligation to provide pension benefits to its employees is provided as required supplementary information beginning on page F-85. The combining statements referred to earlier in connection with non-major governmental funds and Internal Service Funds are presented immediately following the required supplementary information. The inclusion of the Statistical Section provides useful historical trend data on the City.

City of Santa Maria
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

C. GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS

Statement of Net Position

Net position may serve, overtime, as a useful indicator of a City's financial position. During this fiscal year, net position of the City was \$433.7 million, which is a decrease of \$14.0 million from the prior fiscal year. The decrease resulted from revenues exceeding expenses of \$7.0 million and two prior period adjustments.

The following is the condensed Statements of Net Position as of June 30, 2013 and 2012, expressed in millions.

	Governmental		Business		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 98.7	\$ 91.8	\$ 115.2	\$ 126.6	\$ 213.9	\$ 218.4
Restricted and other assets	2.7	5.0	9.5	9.4	12.2	14.4
Capital assets, net	199.6	193.6	134.0	130.2	333.6	323.8
Total assets	<u>301.0</u>	<u>290.4</u>	<u>258.7</u>	<u>266.2</u>	<u>559.7</u>	<u>556.6</u>
Current Liabilities	15.5	16.5	9.8	16.8	25.3	33.3
Long-term liabilities	12.9	14.1	73.8	75.5	86.7	89.6
Total liabilities	<u>28.4</u>	<u>30.6</u>	<u>83.6</u>	<u>92.3</u>	<u>112.0</u>	<u>122.9</u>
Net Position:						
Net investment in						
capital assets	192.1	185.8	74.5	67.7	266.6	253.5
Restricted	16.6	20.0	9.5	9.4	26.1	29.4
Unrestricted	<u>63.9</u>	<u>54.0</u>	<u>91.1</u>	<u>96.8</u>	<u>155.0</u>	<u>150.8</u>
Total Net Position	<u>\$ 272.6</u>	<u>\$ 259.8</u>	<u>\$ 175.1</u>	<u>\$ 173.9</u>	<u>\$ 447.7</u>	<u>\$ 433.7</u>

As of June 30, 2013, of the \$433.7 million in net position, the largest portion is \$253.5 million that (58 percent) consists of the City's net investment in capital assets. This component portrays the total amount of funds required to acquire those assets less any related debt used for such acquisition that is still outstanding. The City uses these capital assets to provide services to citizens. The capital assets of the City are not sources of income for repayment of debt as most assets are not revenue generating and generally are not liquidated to repay debt. Therefore, debt service payments are funded from other sources available to the City.

An additional portion of the City's net position (seven percent) of \$29.4 million represents resources that are subject to external restrictions on how the resources may be used. The remaining balance of unrestricted resources (\$150.8 million) may be used to meet the City's ongoing obligations to citizens and creditors. Of this amount, \$96.8 million is held by the business-type activities and \$54.0 million is by the governmental activities.

City of Santa Maria
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

The following condensed summary of net statements of activities (expressed in millions) shows that, during the fiscal year, net position decreased by \$14.0 million.

	Governmental		Business		Total	
	2012	2013	2012	2013	2012	2013
Revenues						
Program revenues:						
Charges for services	\$ 12.7	\$ 11.4	\$ 55.2	\$ 57.9	\$ 67.9	\$ 69.3
Operating grants and contributions	2.2	2.8	5.8	4.4	8.0	7.2
Capital grants and contributions	9.3	4.5	1.4	0.2	10.7	4.7
General Revenues:						
Taxes	45.4	49.0			45.4	49.0
Use of money and property	2.2	1.4	1.1	0.8	3.3	2.2
Intergovernmental revenues	0.5	0.4			0.5	0.4
Other	0.4	0.3			0.4	0.3
Total revenues	<u>72.7</u>	<u>69.8</u>	<u>63.5</u>	<u>63.3</u>	<u>136.2</u>	<u>133.1</u>
Expenses						
General government	7.6	7.8			7.6	7.8
Public safety	29.1	31.9			29.1	31.9
Public works	14.9	15.7			14.9	15.7
Library	3.2	3.8			3.2	3.8
Community development	5.3	5.3			5.3	5.3
Parks & recreation	11.0	13.4			11.0	13.4
Interest & fiscal charges	0.5	0.3			0.5	0.3
Water & wastewater			33.4	34.7	33.4	34.7
Solid waste			17.4	19.7	17.4	19.7
Public transit			7.9	7.5	7.9	7.5
Total expenses	<u>71.6</u>	<u>78.2</u>	<u>58.7</u>	<u>61.9</u>	<u>130.3</u>	<u>140.1</u>
Increase in net position before transfers	1.1	(8.4)	4.8	1.4	5.9	(7.0)
Transfers	1.6	1.2	(1.6)	(1.2)		
Increase (decrease) in net position	2.7	(7.2)	3.2	0.2	5.9	(7.0)
Extraordinary gain (loss)	(0.5)				(0.5)	
Increase in net position	<u>2.2</u>	<u>(7.2)</u>	<u>3.2</u>	<u>0.2</u>	<u>5.4</u>	<u>(7.0)</u>
Net position - beginning of fiscal year	270.2	272.6	172.1	175.1	442.3	447.7
Prior period adjustments	0.2	(5.6)	(0.2)	(1.4)		(7.0)
Net position - end of fiscal year	<u>\$ 272.6</u>	<u>\$ 259.8</u>	<u>\$ 175.1</u>	<u>\$ 173.9</u>	<u>\$ 447.7</u>	<u>\$ 433.7</u>

Governmental Activities. Excluding the prior period adjustment, Governmental activities decreased the City's net position by \$7.2 million.

Business-type Activities. Excluding the prior period adjustment, Business-type activities increased the City's net position by \$0.2 million.

City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

At June 30, 2013, the City's governmental funds reported combined ending fund balances of \$60.5 million, a decrease of \$8.2 million in comparison to the prior fiscal year.

Approximately 74 percent of this amount (\$44.9 million) constitutes an unrestricted fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it is legally restricted by outside parties for a specific purpose.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$36.6 million, of which \$19.8 million was committed for economic stabilization and \$6.2 million assigned for future liabilities associated with post employment benefits. Total fund balance decreased by \$4.1 million primarily due to the payoff of the Fire pension side-fund.

The General Fund reported a net decrease to unassigned fund balance of \$3.5 million due primarily to the side fund payoff for \$5.5 million. General Fund operations resulted in a fund decrease of \$3.2 million. Transfers in were less than transfers out by \$862,000. Total tax revenues increased by \$4.4 million from the prior year, primarily from increases in sales taxes of \$1.4 million, and an increase in transient occupancy taxes of \$91,000. These increases are the result of greater economic activity. Measure U, the quarter cent sales tax increase passed by voters on June 5, 2012, became effective October 1, 2012. Receipts for the fiscal year totaled \$2.6 million.

Property tax revenue increased by \$237,000 over last fiscal year, a 1.7 percent increase. Combined, sales tax and property tax make up approximately 62 percent of General Fund revenues. The City has a teeter agreement with the County whereby the total assessed property tax is remitted to the City with the County retaining the right to delinquencies and penalties. Permit revenue is \$418 thousand greater than last fiscal year due to increased commercial building activity. Charges for services are \$1.3 million less than the prior year. This is primarily due to declining receipts of non-hazardous impacted sold (NHIS) revenue of \$611,000. NHIS is received from oil companies for a fee and is available for use in road beds throughout the City. Any NHIS not utilized for road beds is provided to the Solid Waste Division for use as landfill cover. This is also due to Orfalea grant revenue of \$390,000 received in the prior year has been discontinued in the current year.

General Fund expenses increased by \$7.8 million (16.2 percent) from \$48.040 million last fiscal year to \$55.8 million in the current fiscal year. This is primarily due to the pay-off of the Fire side fund pension obligation for \$5.6 million and expenditures associated with the additional revenue generated from the Measure U sales tax of one-quarter percent. Expenditures of \$1.2

City of Santa Maria

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

million from Measure U revenues was used to pay for operations of Fire Station No. 5 and Police Department salaries and benefits were \$347 thousand. In addition, Fleet Service allocations increased by \$548,000 in fiscal year 2013 from 2012. For the past five years, the General Fund has reduced cost allocations to the Fleet Services Fund to help balance the budget.

D. GENERAL FUND BUDGETARY HIGHLIGHTS

Original and Final Budget Comparison

Differences between the original budget and the final amended budget (\$7.0 million increase) resulted primarily from the following:

- Increase in appropriations of \$5.6 million to pay-off the Fire side fund pension obligation.
- The Police Department received grants from the State totaling over \$312,000 to conduct DUI, seat belt and unlicensed driver check points. City Council also authorized the funding of four additional black and white police vehicles to be used by new Sergeant positions. The cost of the vehicles is estimated at \$254,000.
- The Fire Department received \$637,000 in funding under the Department of Homeland SAFER Grant program to hire nine new firefighters. The grant is for two years.
- Debt service budgeted expenditures were increased by \$1,274,000 due to the dissolving of RDA's throughout the state. Payments on the 2003 bonds are secured by lease payments from the General Fund. However, prior receipts of tax increment went to pay approximately 48 percent of the 2003 bonds.

Final Budget and Actual Comparison

Total revenues were \$2.4 million (4.7 percent) greater than the final budget primarily due to the following:

- Sales tax revenue was greater than forecasted by \$892,000 due to an improving local economy. Measure U quarter-cent sales tax revenue was \$541,000 greater than forecast.
- Transient Occupancy Tax receipts were higher by \$122,000. Total receipts were \$2,532,000 versus budget of \$2,410,000.
- The City's NHIS revenue has been declining primarily due to the discontinuation of Phase I of the Guadalupe Restoration Project (GRP) and the uncertainty concerning phase II of the project. Revenues received were \$1,539,000 versus a budget of \$2,000,000. The peak of this revenue source occurred in 2008-09 and has been declining since then and is not considered a long-term revenue source. The City budgeted \$1 million in revenue for 2013-14.
- Construction permit revenue was over budget by \$247,000 due to increasing construction.

City of Santa Maria

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

- Other revenue was over budget by \$1,196,000 primarily due to the one-time receipt of property tax administration fee reimbursement from the County of Santa Barbara for \$1,022,000.

Total expenditures and other financing uses were \$4.0 million less than the final budget which is primarily due to the following:

- City Clerk was under budget by \$90,000 due to vacancy in department.
- Administrative Services is under budget by \$273,000 primarily due to a reduction of \$187,000 in property tax administration fees charged by the County and decreases in NHIS Program related expenses and salary and benefit savings, as a result of staff vacancies, in the Finance Division.
- Recreation and Parks is under budget by five percent or \$415,000 due primarily to salary and benefit savings associated with not immediately filling vacancies coupled with a reduction in contractual service expense accounts.
- Community Development is under budget by \$228,000 primarily due to keeping vacant the Advance Planner position for the majority of the year as well as reduction in expenditures for the Land Use/Circulation Element and Downtown Specific Plan.
- Public Safety is under budget by \$2,656 thousand primarily due to salary and benefit savings attributed to vacancies.
- The above variances were offset by a reduction in transfers in because the General Fund did not use the \$2.5 million in budgeted transfers in from the Local Economic Augmentation Fund (LEAF) in the fiscal year.

E. CAPITAL ASSETS

The City's investments in capital assets for governmental and business-type activities as of June 30, 2013 amount to \$323.7 million. This net investment in capital assets includes land, buildings, equipment, infrastructure and construction in progress. The total decrease in the City's investment in capital assets for the fiscal year ending June 30, 2013 was 3.0 percent (a 3.0 percent decrease for governmental activities and 3.0 percent decrease for business type activities).

The chart below and Note 4 Capital Assets (page F-65) provide additional detailed information on capital assets. The amounts shown on the following page are expressed in millions.

City of Santa Maria

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Land	\$ 20.2	\$ 20.2	\$ 12.2	\$ 12.2	\$ 32.4	\$ 32.4
Buildings	84.5	88.8	96.5	93.0	181.0	181.8
Equipment	8.1	7.1	19.8	21.0	27.9	28.1
Infrastructure	79.7	75.5			79.7	75.5
Construction in progress	7.1	2.0	5.5	3.9	12.6	5.9
Total net capital assets	<u>\$ 199.6</u>	<u>\$ 193.6</u>	<u>\$ 134.0</u>	<u>\$ 130.1</u>	<u>\$ 333.6</u>	<u>\$ 323.7</u>

Major capital asset activity during the current fiscal year, included the following:

- Net capital assets used in Governmental activities declined by \$6.0 million. Depreciation expense was \$11.1 million and net asset additions were \$5.1 million. Construction in progress decreased by \$7.1 million primarily due to completion of the northwest and northeast fire stations for \$6.5 million. The City also completed the Town Center East Parking Lot Improvements for \$115 thousand and various park improvements for \$497 thousand. Fleet asset additions were \$1.1 million versus deletions of \$1.3 million. The Water Fund recorded capital expenditures of \$251 thousand for water main replacements and \$133 thousand for distribution system improvements. The Wastewater Fund performed the primary clarifier rehabilitation for \$610 thousand and sewer mainline repairs for \$343 thousand. The Solid Waste Fund recorded capital expenditures of approximately \$650 thousand for the Los Flores Development Plan.

F. LONG-TERM DEBT

At fiscal year-end, the City had \$102.5 million in bonds and other long-term debt outstanding. The detail of this \$102.5 million is shown below.

Activities	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Bonds/COP's	\$ 7.2	\$ 4.8	\$ 59.5	\$ 60.1	\$ 66.7	\$ 64.9
Accrued closure costs			12.6	13.5	12.6	13.5
Capital leases		2.5		2.5		5.0
Claims payable	7.1	8.1	2.3	2.7	9.4	10.8
Compensated absences	4.9	4.7	0.9	0.8	5.8	5.5
OPEB Liability	1.6	1.9	0.3	0.4	1.9	2.3
Land Purchase Obligation	0.5	0.5			0.5	0.5
Total	<u>\$ 21.3</u>	<u>\$ 22.5</u>	<u>\$ 75.6</u>	<u>\$ 80.0</u>	<u>\$ 96.9</u>	<u>\$ 102.5</u>

The City's governmental debt increased by \$1.2 million to \$22.5 million. Principal payments of \$2.4 million were offset by the capital lease debt issuance of \$2.5 million. The other post employment liability (OPEB) also increased by \$300 thousand and was partially offset by a decline in compensated absences. Claims liability increased by \$1 million.

City of Santa Maria
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

The City's business activity debt increased by \$4.4 million primarily due to the issuance of capital lease debt for the purchase of various fleet equipment for \$2.5 million and the increase in accrued closure costs of \$900 thousand. Claims liability increased by \$400 thousand.

The City has an "A1" rating from Moody's and an "AA-" rating from Fitch for general obligation debt.

A summary of the City's long-term debt is reported below (amounts expressed in millions) while detailed information is shown in the Notes to Basic Financial Statements, beginning on page F-69.

G. REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances and to demonstrate accountability for the money the City receives. If you have questions about this report or need additional financial information, contact the City's Department of Administrative Services at (805) 925-0951 extension 215.



BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



City of Santa Maria
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 85,674,546	\$ 91,245,432	\$ 176,919,978
Restricted cash and investments with fiscal agents	5,032,905	7,464,842	12,497,747
Receivables (net)	8,107,994	8,669,907	16,777,901
Loans receivable	4,807,941		4,807,941
Deposit with CCWA		4,294,795	4,294,795
Deposits	273,173	45,000	318,173
Prepaid items	78,443	16,915,251	16,993,694
Inventory	45,659	45,658	91,317
Deferred cost of issuance	147,984		147,984
Internal balances	(7,322,242)	7,322,242	
Total current assets	96,846,403	136,003,127	232,849,530
Noncurrent Assets:			
Capital assets:			
Non-depreciable	34,495,556	16,121,102	50,616,658
Depreciable, net	159,064,347	114,025,294	273,089,641
Total noncurrent assets	193,559,903	130,146,396	323,706,299
Total Assets	290,406,306	266,149,523	556,555,829
LIABILITIES			
Current liabilities:			
Accounts payable	5,823,586	1,710,459	7,534,045
Accrued payroll	25,620	49,404	75,024
Unearned revenue	2,218,430	10,566,842	12,785,272
Debt due within one year	8,443,134	4,434,782	12,877,916
Total current liabilities	16,510,770	16,761,487	33,272,257
Noncurrent liabilities:			
Due in more than one year	14,052,988	75,534,875	89,587,863
Total noncurrent liabilities	14,052,988	75,534,875	89,587,863
Total Liabilities	30,563,758	92,296,362	122,860,120
NET POSITION			
Net Investment in capital assets	185,807,029	67,641,499	253,448,528
Restricted for:			
Road maintenance	5,695,097		5,695,097
Landscape maintenance	3,301,015		3,301,015
Debt service	2,709,560	9,436,292	12,145,852
Community services	6,187,346		6,187,346
Capital improvements	1,202,081		1,202,081
Public safety	885,217		885,217
Total restricted	19,980,316	9,436,292	29,416,608
Unrestricted	54,055,203	96,775,370	150,830,573
Total Net Position	\$ 259,842,548	\$ 173,853,161	\$ 433,695,709

See Accompanying Notes to Basic Financial Statements.

City of Santa Maria
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Functions/Programs:	Expenses	Charges for Services	Program Revenue	
			Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 7,818,914	\$ 2,565,366	\$ 17,640	
Public safety	31,939,863	1,156,798	836,120	\$ 451,084
Public works	15,698,704	2,421,122	681,762	4,018,222
Library	3,796,528	162,508	870,254	57,859
Community development	5,304,543	1,348,188		
Recreation and parks	13,350,009	3,755,716	382,292	
Interest and fiscal charges	301,150			
Total governmental activities	<u>78,209,711</u>	<u>11,409,698</u>	<u>2,788,068</u>	<u>4,527,165</u>
Business-type activities:				
Water and wastewater	34,657,330	38,166,683		99
Solid waste	19,745,844	18,480,130	132,365	
Public transit	7,450,124	1,260,409	4,244,918	178,096
Total business-type activities	<u>61,853,298</u>	<u>57,907,222</u>	<u>4,377,283</u>	<u>178,195</u>
Total primary government	<u>\$ 140,063,009</u>	<u>\$ 69,316,920</u>	<u>\$ 7,165,351</u>	<u>\$ 4,705,360</u>
General Revenues				
Taxes:				
Property taxes				
Sales taxes				
Franchise taxes				
Transient occupancy taxes				
Other taxes				
Use of money and property				
Other revenues				
Intergovernmental revenues - unrestricted				
Transfers				
Total general revenues and transfers				
Changes in net position				
Net position at beginning of fiscal year				
Prior period adjustments				
Net position at beginning of fiscal year - restated				
Net position at end of fiscal year				

See Accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Total	Governmental Activities	Business-type Activities	Total
\$ 2,583,006	\$ (5,235,908)		\$ (5,235,908)
2,444,002	(29,495,861)		(29,495,861)
7,121,106	(8,577,598)		(8,577,598)
1,090,621	(2,705,907)		(2,705,907)
1,348,188	(3,956,355)		(3,956,355)
4,138,008	(9,212,001)		(9,212,001)
	(301,150)		(301,150)
18,724,931	(59,484,780)		(59,484,780)
38,166,782		\$ 3,509,452	3,509,452
18,612,495		(1,133,349)	(1,133,349)
5,683,423		(1,766,701)	(1,766,701)
62,462,700		609,402	609,402
\$ 81,187,631	(59,484,780)	609,402	(58,875,378)
	14,488,973		14,488,973
	27,606,191		27,606,191
	3,849,977		3,849,977
	2,532,032		2,532,032
	501,109		501,109
	1,365,203	823,322	2,188,525
	316,525		316,525
	358,863		358,863
	1,245,547	(1,245,547)	
	52,264,420	(422,225)	51,842,195
	(7,220,360)	187,177	(7,033,183)
	272,635,150	175,039,698	447,674,848
	(5,572,242)	(1,373,714)	(6,945,956)
	267,062,908	173,665,984	440,728,892
\$	259,842,548	\$ 173,853,161	\$ 433,695,709



FUND FINANCIAL STATEMENTS

Governmental Funds Financial Statements

Proprietary Funds Financial Statements

Fiduciary Funds Financial Statements



GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

General Fund - The General Fund is used to account for resources that are not required legally or by sound financial management to be accounted for in another fund.

Non-major Governmental Funds - Non-major Governmental Funds are the aggregate of all the non-major governmental funds.



City of Santa Maria

BALANCE SHEET

Governmental Funds

June 30, 2013

	Major Fund		Total Governmental Funds
	General	Non-major Governmental Funds	
ASSETS			
Cash and investments	\$ 41,859,805	\$ 25,053,533	\$ 66,913,338
Cash with fiscal agent		2,709,560	2,709,560
Accounts receivable	1,032,655	2,814,923	3,847,578
Accrued revenue receivable	4,066,431	112,954	4,179,385
Prepays		8,383	8,383
Loans receivable	414,956	4,392,985	4,807,941
Deposits	138,173		138,173
Total assets	\$ 47,512,020	\$ 35,092,338	\$ 82,604,358
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,118,628	\$ 2,211,349	\$ 5,329,977
Due to other funds		3,500,000	3,500,000
Accrued payroll	223,953	23,057	247,010
Unearned revenue	1,961,133	4,650,281	6,611,414
Advances payable	5,572,242	875,000	6,447,242
Total liabilities	10,875,956	11,259,687	22,135,643
Fund Balances:			
Restricted for:			
Road maintenance		5,695,097	5,695,097
Community development		1,305,929	1,305,929
Library		301,646	301,646
Education		186,786	186,786
Public safety		885,217	885,217
Drainage		294,255	294,255
Landscape maintenance		3,006,760	3,006,760
Park acquisition		829,775	829,775
Park development		372,306	372,306
Debt service		2,709,560	2,709,560
Committed to:			
Economic stabilization	19,800,000		19,800,000
Assigned to:			
Post employment benefits	6,248,027		6,248,027
Capital projects		10,108,603	10,108,603
Unassigned:	10,588,037	(1,863,283)	8,724,754
Total fund balances	36,636,064	23,832,651	60,468,715
Total liabilities and fund balances	\$ 47,512,020	\$ 35,092,338	\$ 82,604,358

See Accompanying Notes to Basic Financial Statements.

City of Santa Maria

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2013

Fund balances of governmental funds \$ 60,468,715

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Net capital assets of \$6,343,571 (\$19,807,712 less depreciation of \$13,464,141) allocated from internal service funds are included in the capital asset information below.

Capital assets	\$ 154,811,261	
Infrastructure	181,587,566	
Internal service assets	19,807,712	
Accumulated depreciation	<u>(162,646,636)</u>	193,559,903

Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The assets and liabilities of the internal service funds are included in the statement of net position. Capital assets of the internal service funds are included in total capital assets above. 13,139,847

Long-term liabilities are not due and payable in the current fiscal period and, therefore, not reported in the funds. Long-term liabilities of \$10,629,238 allocated from internal service funds are included in the above internal service fund adjustments.

Long-term debt	\$ (5,300,374)	
Compensated absences	(4,670,233)	
Other post employment benefits	<u>(1,896,278)</u>	(11,866,885)

Governmental funds report the affect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the unamortization cost of issuance. 147,984

Certain revenues in the governmental funds are deferred because the revenues are not collected within the prescribed time period after fiscal year-end. However, the revenues are included on the accrual basis used in the government-wide statements. 4,392,984

Net position of governmental activities \$ 259,842,548

See Accompanying Notes to Basic Financial Statements.

City of Santa Maria

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Governmental Funds

For the Fiscal Year Ended June 30, 2013

	Major Fund		Total Governmental Funds
	General	Non-major Governmental Funds	
REVENUES:			
Taxes	\$ 42,153,853	\$ 6,824,429	\$ 48,978,282
Permits, fines and forfeitures	1,181,654	285,785	1,467,439
Revenues from use of money and property	988,590	394,032	1,382,622
Aid from governmental agencies	1,643,755	4,979,756	6,623,511
Charges for current services	5,323,246	4,396,489	9,719,735
Other revenues	1,291,954	55,497	1,347,451
Total revenues	52,583,052	16,935,988	69,519,040
EXPENDITURES:			
Current:			
General government	6,970,704		6,970,704
Community development	2,549,800	1,849,870	4,399,670
Public safety	30,273,361	102,053	30,375,414
Recreation and parks	7,748,471	2,992,404	10,740,875
Public works	2,253,959	2,149,899	4,403,858
Library	21,787	2,611,130	2,632,917
Non-departmental	5,572,242		5,572,242
Capital outlay	443,783	10,923,965	11,367,748
Debt service:			
Principal		2,325,000	2,325,000
Interest and fiscal charges		370,725	370,725
Total expenditures	55,834,107	23,325,046	79,159,153
REVENUES OVER (UNDER) EXPENDITURES	(3,251,055)	(6,389,058)	(9,640,113)
OTHER FINANCING SOURCES (USES):			
Transfers in	4,150,461	4,992,550	9,143,011
Transfers out	(5,012,460)	(2,737,921)	(7,750,381)
Total other financing sources (uses)	(861,999)	2,254,629	1,392,630
NET CHANGE IN FUND BALANCES	(4,113,054)	(4,134,429)	(8,247,483)
FUND BALANCES:			
Beginning of fiscal year	40,749,118	27,967,080	68,716,198
End of fiscal year	\$ 36,636,064	\$ 23,832,651	\$ 60,468,715

See Accompanying Notes to Basic Financial Statements.



City of Santa Maria

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2013

Net changes in fund balances - total governmental funds	\$ (8,247,483)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current fiscal period and the loss on disposal of capital assets during the current fiscal period.

Capital outlay	\$ 5,140,359	
Depreciation	(11,118,094)	
Loss on disposal of capital assets	<u>(91,148)</u>	(6,068,883)

Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The net revenue of the internal service funds is reported with governmental activities. (659,892)

Governmental funds report the affect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the amortization of deferred cost of issuance. (29,596)

Issuance of long-term debt including capital advances, compensated absences, and leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources in governmental funds. Neither transaction has any affect on net position. Also, governmental funds report the affect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net affect of these differences in the treatment of long-term debt and related items. 2,313,103

Loans made and repayments received are expenditures or revenues in the governmental funds, but the repayments reduce, and new loans increase, loans receivable in the Statement of Net Position. 5,572,242

Certain revenues in the governmental funds are unearned because the revenues are not collected within the prescribed time period after fiscal year-end. However, the revenues are included on the accrual basis used in the government-wide statements. (99,851)

Change in net position of governmental activities	<u>\$ (7,220,360)</u>
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See Accompanying Notes to Basic Financial Statements.



PROPRIETARY FUNDS FINANCIAL STATEMENTS

Water and Wastewater Fund - The Water and Wastewater Fund is used to account for the activities associated with the transmission and distribution of potable water by the City to its users and the transmission, pumping, and treatment of the City's wastewater.

Solid Waste Fund - The Solid Waste Fund accounts for the activities associated with collection and disposal of rubbish and recyclable materials.

Transit Fund - The Transit Fund accounts for resources to provide transit services to the City and surrounding areas.

Internal Service Funds - The Internal Service Funds are used to account for interdepartmental operations where it is the stated intent that costs of providing services to the department of the City on a continuing basis be financed or recovered primarily by charges to the user departments.

City of Santa Maria
STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2013

	Enterprise Funds	
	Water and Wastewater	Solid Waste
ASSETS		
Current Assets:		
Cash and investments	\$ 21,245,015	\$ 54,364,450
Accounts receivable, net	4,462,867	348,596
Other receivables	226,165	1,317,469
Due from other funds		
Inventory		
Deposits		
Advances receivable		6,447,242
Prepaid items	16,915,251	
Total current assets	<u>42,849,298</u>	<u>62,477,757</u>
Noncurrent Assets:		
Restricted Assets:		
Deposit with CCWA	4,294,795	
Restricted cash and investments	5,141,497	
Total restricted assets	<u>9,436,292</u>	
Capital Assets:		
Non-depreciable assets	7,661,382	3,784,209
Depreciable assets, net	83,403,762	16,498,135
Total capital assets, net	<u>91,065,144</u>	<u>20,282,344</u>
Total noncurrent assets	<u>100,501,436</u>	<u>20,282,344</u>
Total assets	<u>143,350,734</u>	<u>82,760,101</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	517,298	684,431
Accrued payroll	22,714	22,988
Unearned revenue	81,015	
Debt due within one year	3,030,159	326,904
Total current liabilities	<u>3,651,186</u>	<u>1,034,323</u>
Noncurrent Liabilities:		
Compensated absences payable	58,149	53,217
OPEB liability	203,597	172,314
Claims payable		
Accrued closure and postclosure care costs		13,514,414
Long-term debt - due in more than one year	57,379,441	
Total noncurrent liabilities	<u>57,641,187</u>	<u>13,739,945</u>
Total liabilities	<u>61,292,373</u>	<u>14,774,268</u>
NET POSITION		
Net position:		
Net investment in capital assets	31,012,746	20,282,344
Restricted cash for CCWA water purchase and debt refunding	9,436,292	
Unrestricted	41,609,323	47,703,489
Total net position	<u>\$ 82,058,361</u>	<u>\$ 67,985,833</u>

Adjustment to reflect the consolidation of Internal Service Fund activities to related Enterprise Funds

Net position of business-type activities

See Accompanying Notes to Basic Financial Statements.

Transit	Total Enterprise Funds	Internal Service Funds
\$ 7,692,100	\$ 83,301,565	\$ 26,705,075
2,255,463	7,066,926	115,097
25,281	1,568,915	
		3,500,000
		91,317
		180,000
	6,447,242	
	16,915,251	70,060
9,972,844	115,299,899	30,661,549
	4,294,795	
	5,141,497	4,646,690
	9,436,292	4,646,690
4,382,533	15,828,124	611,530
10,486,984	110,388,881	9,661,430
14,869,517	126,217,005	10,272,960
14,869,517	135,653,297	14,919,650
24,842,361	250,953,196	45,581,199
345,863	1,547,592	432,523
1,603	47,305	4,662
10,485,827	10,566,842	
10,756	3,367,819	3,641,366
10,844,049	15,529,558	4,078,551
1,751	113,117	12,842
12,685	388,596	37,142
		7,817,274
	13,514,414	
	57,379,441	4,326,884
14,436	71,395,568	12,194,142
10,858,485	86,925,126	16,272,693
14,869,517	66,164,607	5,367,960
	9,436,292	
(885,641)	88,427,171	23,940,546
\$ 13,983,876	164,028,070	\$ 29,308,506
	9,825,091	
	\$ 173,853,161	

City of Santa Maria

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Proprietary Funds

For the Fiscal Year Ended June 30, 2013

	Enterprise Funds		
	Water and Wastewater	Solid Waste	Transit
OPERATING REVENUES:			
Operating revenues:			
Charges for current services	\$ 37,354,646	\$ 18,345,949	\$ 1,130,138
Other	336,037	134,181	130,271
Total operating revenues	37,690,683	18,480,130	1,260,409
OPERATING EXPENSES:			
Salaries, wages and benefits	4,346,405	4,194,726	299,256
Materials and supplies	1,617,835	231,810	4,532,450
Equipment maintenance and operation	3,260,662	3,863,453	1,558,956
Depreciation	4,083,366	2,052,778	859,459
Contracts and services	3,240,128	8,765,066	82,390
Subtotal operating expenses	16,548,396	19,107,833	7,332,511
State water payments:			
State water payments DWR	12,552,025		
State water payments CCWA	3,190,576		
Subtotal state water payments	15,742,601		
Total operating expenses	32,290,997	19,107,833	7,332,511
OPERATING INCOME (LOSS)	5,399,686	(627,703)	(6,072,102)
NON-OPERATING REVENUES (EXPENSES):			
Local, state and federal grants		132,365	4,244,918
Interest income	267,201	505,742	56,186
Interest expense	(1,698,026)		
Amortization expense	(425,260)		
Gain (loss) on sale of equipment	(425,676)		
Other	431,622		
Total nonoperating revenues (expenses)	(1,850,139)	638,107	4,301,104
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	3,549,547	10,404	(1,770,998)
Capital contributions	99		178,096
Transfers out	(541,170)	(508,130)	(111,330)
Change in net position	3,008,476	(497,726)	(1,704,232)
NET POSITION:			
Beginning of fiscal year	79,049,885	68,483,559	17,061,822
Prior period adjustment			(1,373,714)
Beginning net position restated	79,049,885	68,483,559	15,688,108
End of fiscal year	\$ 82,058,361	\$ 67,985,833	\$ 13,983,876

Adjustment to reflect the consolidation of Internal Service Fund activities to related Enterprise Funds

Change in net position of business-type activities

See Accompanying Notes to Basic Financial Statements.

Total	
Enterprise Funds	Internal Service Funds
\$ 56,830,733	\$ 9,881,425
600,489	226,182
<u>57,431,222</u>	<u>10,107,607</u>
8,840,387	835,449
6,382,095	1,425,751
8,683,071	1,048,859
6,995,603	3,976,181
12,087,584	5,078,532
<u>42,988,740</u>	<u>12,364,772</u>
12,552,025	
3,190,576	
<u>15,742,601</u>	
58,731,341	12,364,772
<u>(1,300,119)</u>	<u>(2,257,165)</u>
4,377,283	
829,129	(23,224)
(1,698,026)	
(425,260)	
(425,676)	(65,259)
431,622	88,808
<u>3,089,072</u>	<u>325</u>
1,788,953	(2,256,840)
178,195	390,111
(1,160,630)	(232,000)
<u>806,518</u>	<u>(2,098,729)</u>
	31,407,235
	<u>31,407,235</u>
	\$ 29,308,506
(619,341)	
<u>\$ 187,177</u>	

City of Santa Maria
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

	Enterprise Funds		
	Water and Wastewater	Solid Waste	Transit
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts for current services	\$ 37,117,362	\$ 18,204,737	\$ 5,039,523
Payments for goods and services	(25,821,297)	(11,767,649)	(6,305,606)
Payments to employees	(4,356,781)	(4,492,967)	(291,256)
Net cash provided by (used for) operating activities	6,939,284	1,944,121	(1,557,339)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Federal and state transportation grants	157,226	132,365	4,244,918
Loans to other funds		(6,447,242)	
Transfers out to other funds	(541,170)	(508,130)	(111,330)
Net cash provided by (used for) noncapital activities	(383,944)	(6,823,007)	4,133,588
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(2,262,334)	(941,560)	(1,551,811)
Proceeds from capital lease			178,096
Capital contributions			
Certificate principal payments	(610,497)		
Proceeds from sale of assets			
Interest expense payments	(1,698,026)		
Net cash provided by (used for) capital and related financing activities	(4,570,857)	(941,560)	(1,373,715)
CASH FLOW FROM INVESTING ACTIVITIES:			
Interest on investments	419,097	505,742	56,186
Net cash provided by investing activities	419,097	505,742	56,186
Net increase (decrease) in cash and cash equivalents	2,403,580	(5,314,704)	1,258,720
CASH AND CASH EQUIVALENTS:			
Beginning of fiscal year	28,277,727	59,679,154	6,433,380
End of fiscal year	\$ 30,681,307	\$ 54,364,450	\$ 7,692,100
Reconciliation of cash and investments per the statement of net position:			
Total cash and investments per the statement of net position	\$ 21,245,015	\$ 54,364,450	\$ 7,692,100
Total restricted cash and investments per the statement of net position	9,436,292		
Cash and cash equivalents, June 30, 2013	\$ 30,681,307	\$ 54,364,450	\$ 7,692,100

See Accompanying Notes to Basic Financial Statements.

Total Enterprise Funds	Internal Service Funds
\$ 60,361,622	\$ 10,155,215
(43,894,552)	(6,005,450)
(9,141,004)	(859,842)
7,326,066	3,289,923
4,534,509	
(6,447,242)	
(1,160,630)	(232,000)
(3,073,363)	(232,000)
(4,755,705)	(2,184,009)
178,096	4,905,000
(610,497)	
	51,921
(1,698,026)	
(6,886,132)	2,772,912
981,025	(23,224)
981,025	(23,224)
(1,652,404)	5,807,611
94,390,261	25,544,154
\$ 92,737,857	\$ 31,351,765
\$ 83,301,565	\$ 31,351,765
9,436,292	
\$ 92,737,857	\$ 31,351,765

City of Santa Maria
STATEMENT OF CASH FLOWS
Proprietary Funds, continued
For the Fiscal Year Ended June 30, 2013

	Enterprise Funds		
	Water and Wastewater	Solid Waste	Transit
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 5,399,686	\$ (627,703)	\$ (6,072,102)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	4,083,366	2,052,778	859,459
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	(573,322)	(275,393)	(377,635)
Decrease (increase) in inventory			
Decrease (increase) in prepaid items	(2,128,945)		
Increase (decrease) in accounts payable	168,875	139,845	(131,810)
Increase (decrease) due to other funds			
Increase (decrease) in accrued payroll	(51,324)	11,645	858
Increase (decrease) in claims payable			
Increase (decrease) in postclosure costs		952,837	
Increase (decrease) deferred revenue			4,156,749
Increase (decrease) in compensated absences payable	(5,095)	(182,802)	5,055
Increase (decrease) in OPEB liability	46,043	(127,086)	2,087
Total adjustments	1,539,598	2,571,824	4,514,763
Net cash provided by (used for) operating activities	\$ 6,939,284	\$ 1,944,121	\$ (1,557,339)
NON CASH ACTIVITY:			
Contributed capital assets	\$ 99		
Amortization of deferral on refunding and bond discount	443,947		
Accretion discount	1,439,466		

See Accompanying Notes to Basic Financial Statements.

Total Enterprise Funds	Internal Service Funds
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\$ (1,300,119)	\$ (2,257,165)
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6,995,603	3,976,181
(1,226,350)	27,608
	50,243
(2,128,945)	(18,483)
176,910	109,614
	20,000
(38,821)	2,509
	1,406,319
952,837	
4,156,749	
(182,842)	(32,816)
(78,956)	5,913
<u>8,626,185</u>	<u>5,547,088</u>

\$ 7,326,066	\$ 3,289,923
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\$ 99	\$ 390,111
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443,947
1,439,466



FIDUCIARY FUNDS FINANCIAL STATEMENTS

Agency Funds - Agency Funds are custodial in nature (assets equal liabilities) and do not measure the results of operations. These funds are used to account for assets held in an agency capacity for others, therefore, cannot be used to support the City's programs.

Private-Purpose Trust Fund - Private Purpose Trust Funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments.



City of Santa Maria

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

ASSETS	Private Purpose Trust Fund	Total Agency Funds
Cash and investments	\$ 298	\$ 6,185,045
Accounts receivable	94	10,735
Total Assets	<u>\$ 392</u>	<u>\$ 6,195,780</u>
LIABILITIES		
Accounts payable	\$ 1	
Trust deposits		\$ 6,195,780
Total Liabilities	<u>1</u>	<u>\$ 6,195,780</u>
NET POSITION		
Held in trust for other taxing entities	<u>\$ 391</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust Fund
ADDITIONS	
Interest income	\$ 391
Total Additions	<u>391</u>
DEDUCTIONS	
Tax increment reimbursement	<u>3,733</u>
Total Deductions	<u>3,733</u>
Net change in position	(3,342)
Net position beginning of the year	3,733
Net position end of the year	<u>\$ 391</u>

See Accompanying Notes to Basic Financial Statements.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Santa Maria (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Financial Reporting Entity

The City was incorporated on September 12, 1905, under the laws of the State of California. Santa Maria is a charter city, and operates under a Council-Manager form of government, which includes an elected mayor and a four-member council. As required by USGAAP, these financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are in substance, part of the government's operations, so data from these units are combined with data of the primary government. The following entity is reported as a blended component unit:

Santa Maria Public Financing Authority: City officials govern the Santa Maria Public Financing Authority (the "Authority"). Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public facilities.

The City participates in the two following intergovernmental joint ventures:

The Local Government Finance Joint Powers Authority: The Local Government Finance Joint Powers Authority is a joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement dated July 15, 1986. The Authority was created to provide a method of pooled financing for interested agencies throughout the State. The governing board is comprised of representatives from participants across the State. In August 1989, the Authority provided financing proceeds and the resulting debt service obligation to various participants. By agreement, each participant assumed all responsibility with regard to its issue. All debt issued by participants has been paid or defeased. Financial statements of the Joint Powers Authority may be obtained by contacting the California Statewide Communities Development Authority at 2033 North Main Street, Suite 700, Walnut Creek, CA 94596.

Central Coast Water Authority (CCWA): CCWA is a joint powers authority organized on August 1, 1991, comprised of eight cities and special districts that are responsible for the creation and maintenance of water resources in portions of Santa Barbara County. The purpose of the CCWA is to provide financing, construction, operation, and maintenance of certain local non-State owned facilities required to deliver water from the State Water Project (SWP) to certain water purveyors and users in Santa Barbara County. The City has an ongoing financial responsibility pursuant to a Water Supply Agreement between the City and CCWA; however, the City does not have an equity interest.

The Board of Directors (Board) is comprised of one representative from each participating entity. Votes on the Board are apportioned among the entities based upon each entity's pro-rata share of the water provided by the project. Each participant is required to pay CCWA an amount equal to

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

its share of the total cost of “fixed project costs” and certain other costs in the proportion established in the Water Supply Agreement. This includes the participant’s share of payments to the State Department of Water Resources (DWR) under the State Water Supply Agreement (including capital, operation, maintenance, power, and replacement costs of the DWR facilities), debt service on CCWA bonds, and all CCWA operating and administrative costs.

In November 1996, CCWA sold \$198,015,000 of revenue bonds at a true cost of 5.55 percent of the defeased CCWA 1992 revenue bonds with \$177,200,000 outstanding. The City’s Water and Wastewater Fund makes direct contributions for its share of project expenditures and has no direct liability for any bonded debt of the CCWA. The City is responsible for 38 to 43 percent of system costs based on various pools of expenditures.

Financial Statements for CCWA may be obtained by contacting the Central Coast Water Authority at 255 Industrial Way, Buellton, CA 93427.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which the governmental resources are to be spent and the means by which spending activities are controlled.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB).

Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Government-wide Financial Statements

The City’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These basic financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which the revenues are earned while expenses are recognized in the period in which the liability is incurred.

Certain eliminations have been made as prescribed by GASB Statement No. 34, in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

in the total primary government column. In the Statement of Activities, Internal Service Fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

Governmental fund financial statements are reported using the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Under this method, revenues are available when the revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if revenues are collected within 60 days of the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues are recorded when received in cash, except for revenues subject to accrual (generally 60 days after fiscal year-end) are recognized when due. Property taxes, charges for services, and interest associated with the current fiscal period are all considered susceptible to accrual and as such have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available when received by the government.

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The City reports the following major governmental fund:

General Fund: This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental and business-type activities in the government-wide financial statements.

The Proprietary Funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which the revenues are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. The principal operating revenues of the Water and Wastewater Fund are charges to customers for sales and services. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund, such as cost of sales and services, administrative expenses, and depreciation on capital assets. All other expenses are reported as non-operating expenses.

The major proprietary funds the City reports are shown below:

Water and Wastewater Fund: The Water and Wastewater Fund is used to account for resources used to provide water and sewer services to the City.

Solid Waste Fund: The Solid Waste Fund is used to account for solid waste collection and disposal.

Transit Fund: The Transit Fund accounts for resources to provide transit services to the City and surrounding areas.

The City reports the following internal service funds as proprietary funds:

Fleet Services Fund: The Fleet Services Fund is used to finance the operations, maintenance, and timely replacement of the City's fleet of vehicles and related equipment.

Business Equipment Fund: The Business Equipment Fund is used to finance and account for the maintenance and replacement of business equipment used by City departments.

Insurance Fund: The Insurance Fund provides and charges other City funds for liability, property, and workers' compensation insurance.

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Fiduciary Fund Financial Statements

The City's fiduciary funds, Treasurer's Trust, Twitchell Management Authority, and Maintenance Annuity Fund, combine in an Agency Fund Statement of Assets and Liabilities. Because these funds are custodial in nature (assets equal liabilities), a measurement of results of operations is not shown. The agency funds are accounted for on the accrual basis of accounting. The Treasurer's Trust Fund accounts for deposits held for others, while the Maintenance Annuity Fund accounts for developer deposits earning interest income for the purpose of subsidizing property tax revenue on annexed property. The Twitchell Management Authority Fund accounts for the financial transactions of a court-mandated committee that monitors and manages the groundwater basin.

The Successor Agency Private Purpose Trust Fund was established upon dissolution of the Redevelopment Agency Fund (RDA) and is responsible for winding down the affairs of the former RDA including payment of enforceable obligations and disposal of assets.

C. Cash and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investments, with original maturities of three months or less, to be cash equivalents.

Certain proceeds of the City's Water and Wastewater Fund revenue bonds, as well as certain resources set aside for repayment, are classified as restricted assets on the balance sheet statement of net position, because their use is limited by applicable bond covenants. The City has classified additional assets as restricted to comply with laws and other agreements.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The City's investments with fiscal agents required by bond indentures are stated at cost, which approximate fair value.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

D. Interfund Transactions

Activity among funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

E. Assets Held for Resale

Should the City have assets held for resale, those assets would be recorded at the lower of cost or market, but not greater than the net realizable value. An amount equal to the carrying value of land would be reserved in fund balance of governmental funds because such assets are not available to finance the City's current operations.

F. Capital Assets

Capital assets are defined as property, plant, equipment, and infrastructure assets (roads, sidewalks, drainage systems, lighting systems, etc.). Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. These assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The City's policy has set the capitalization threshold for reporting capital assets at the following:

Property, Plant, and Equipment	\$ 5,000
Infrastructure Capital Assets	50,000

Depreciation is recorded in the government-wide financial statements on a straight-line basis over the useful lives of the assets, as follows:

Equipment	5 to 20 years
Buildings and Improvements	10 to 70 years
Infrastructure:	
Medians	25 years
Pavement	25 years
Traffic signals	25 years
Off-road trails	40 years
Cabling	40 years
Curbs and gutters	50 years
Sidewalks	50 years
Storm drain lines	50 years
Bridges	75 years

The City has included the value of all infrastructure in its government-wide statements.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant, and equipment are depreciated in the proprietary funds using the straight-line method over the following estimated useful lives on the following page:

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Water and Wastewater and Solid Waste Funds:

Facilities and Improvements	25-50 years
Equipment	6-15 years

Transit Fund:

Facilities and Improvement	25-50 years
Equipment	3-7 years
Buses	7 years

Fleet Services Fund:

Equipment	3-10 years
Vehicles	5 years

Business Equipment Fund:

Equipment	3-10 years
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G. Interest Payable

In the government-wide financial statements, interest payable on long-term debt is recognized as the liability is incurred for governmental activities and business-type activities.

In the fund financial statements, proprietary fund types recognize the interest payable when the liability is incurred.

H. Unearned Revenue

In the government-wide financial statements, unearned revenue is recognized for transactions for which revenue has not yet been earned. A typical transaction recorded as unearned revenues in the government-wide financial statements is the prepaid charges for services.

In the Governmental Fund Financial Statements, unearned revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unearned revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which unearned revenue is recorded are grants received but not yet earned or available.

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

I. *Compensated Absences*

Compensated absences are recorded in accordance with GASB. It is the City's policy to record the cost of annual vacation, compensatory time, and fringe benefits as earned. City employees accrue vacation and sick leave in varying amounts. Compensatory time is recorded as time earned by City employees. In the event of termination, employees are reimbursed for the total value of their accumulated vacation days and compensatory time. Sick leave benefits are not vested to the employee; however, the City has a sick leave incentive program, which will compensate employees at a rate of 50 percent for accrued sick leave between a floor and ceiling amount. The maximum sick hours subject to be paid is Police - 680 hours, Fire - 608 hours, and 360 hours - General and Management employees upon regular retirement or death. The City accrued amounts for the sick leave incentive program using historical trends and other relevant data.

The City records compensated absences in the governmental funds as expenditures for the amount accrued during the fiscal year that would normally be liquidated with expendable, available financial resources. The remainder of the liability is recorded as long-term debt. The individual governmental funds report a liability for compensated absences only if the debt matured at fiscal year-end, i.e. unused reimbursable leave outstanding as the result of an employee's resignation or retirement. The proprietary funds accrue compensated absences in the period they are earned and are recorded as long-term liabilities in the applicable funds.

J. *Post-Employment Benefits*

In addition to pension benefits described in Note 8-A, the City provides post-retirement health benefits, in accordance with State statutes, to all employees retiring from the City and enrolled in an insurance program under the California Public Employees' Medical and Hospital Act. Currently, 116 retirees meet the eligibility requirements. The City is required by CALPERS to contribute \$115 per month, the balance of premiums, which average \$721 per month, are paid by retirees. This fiscal year expenditure of \$158,831 was recognized for post-retirement health insurance contributions. Post-employment benefits are provided on a pay-as-you-go basis.

K. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

L. *Net Position*

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted – This amount is all resources that do not meet the definition of “net investment in capital assets” or “restricted.”

M. *Use of Restricted/Unrestricted Resources*

When an expense incurred for purposes for which both restricted and unrestricted resources are available, the City’s policy is to apply restricted resources first.

N. *Fund Equity*

The fund balance classifications are reported primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The fund balances are classified as non-spendable, restricted, committed, assigned and unassigned.

Non-spendable fund balance represents amounts that are not in a spendable form such as inventories, prepaid items and loans receivable. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose.

Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority which includes the City Council adoption of resolutions committing fund balance. It also includes contractual obligations for which existing resources have been committed. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an adopted City Council resolution.

The City Council has adopted, by resolution, a Prudent Reserve Fund for economic emergencies in which the City Council may, at its discretion, set aside all or any part of a surplus generated in the General Fund resulting from the excess of revenues over expenditures. An appropriation from the Prudent Reserve Fund would require an approved resolution by a two-thirds vote of the City Council and are limited to emergency situations. Examples of such emergencies include, but are not limited to: covering expenses arising from a natural disaster, to replacing revenue taken over by another entity, or to a drop in actual/projected revenue of more than five percent of the General Fund adopted revenue budget.

Assigned Fund Balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Such intent is expressed by the City Council or its designated officials to assign amounts to be used. Constraints imposed on the used of assigned amounts can be removed with no formal Council action.

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Unassigned Fund Balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

O. *Property Tax Calendar*

The State of California Constitution Article XIII A, provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless voters approved an additional amount for debt. Assessed value is calculated at 100 percent of market value as defined by Article XIII A, and may be increased by no more than two percent per year unless the property is sold, transferred, or improved.

Santa Barbara County assesses properties, bills for, collects, and distributes property taxes on the basis of the taxing jurisdiction's tax rate percentage, subject to individual tax jurisdiction's adjustments as may be allowed for voter-approved debt, as follows:

	<u>Secured</u>	<u>Unsecured</u>
Lien date	January 1	January 1
Lien date	July 1	July 1
Due dates	50% - November 1	July 1
50% - February 1	August 31	
Delinquent as of	December 10 (for November)	
April 10 (for February)		

The term "unsecured" refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed.

P. *Use of Estimates*

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

Q. *Closure and Postclosure Care Costs*

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for a minimum of 30 years after closure. The site covers 247 acres.

According to its revised operating plan filed with the State, portions of the landfill site will be closed on a "rolling closure" basis, with final closure anticipated by the year 2017. The City is required to report a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each statement of net position date.

The \$13.5 million reported as landfill closure and postclosure care liability at June 30, 2013, represents the cumulative amount reported to date based on the use of 81.8 percent of the

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

estimated capacity of the landfill. The City will recognize remaining estimated costs of \$6.9 million in closure and postclosure care as the remaining estimated capacity is filled. The total costs of \$20.4 million are based on what it would cost to perform all closure and postclosure care in fiscal year 2012-13. The City expects to close the landfill by the year 2017. Inflation and changes in technology and/or regulations may result in higher costs.

The City is required by State and Federal laws to provide assurance that the closure will be completed and postclosure requirements met. Assurance with regard to postclosure costs has been met by a pledge of the General Fund sales tax revenues should the Solid Waste Fund be unable to perform in accordance with the requirements.

R. Budgetary Data

The City Council has the responsibility for adoption of the City's budget. Budgets are adopted for all General and Special Revenue Funds. The budget, adopted by the City Council, is for a two-fiscal year period. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion any time during the two-year fiscal period. The City Manager is authorized to transfer the budgeted funds among departments or functions within the same fund without seeking approval by the City Council. The level at which expenditures may not legally exceed appropriations is therefore established at the fund level.

Appropriations, remaining at the end of the first fiscal year, are eligible to be carried forward to the second fiscal year. All appropriations lapse at the end of the two-fiscal year period to the extent that appropriations have not been expended or encumbered. Lease contracts entered into by the City are subject to annual review by the City Council; hence, lease contracts are legally one-fiscal year contracts. These one-fiscal year contracts have an option for renewal for an additional fiscal year.

Budgetary comparison is provided in the accompanying financial statements for the General Fund and Special Revenue Funds. Budgeted revenue and expenditure amounts shown represent the City's originally adopted budget and the budget adjusted for supplemental appropriations. Budget amounts, as adjusted, reported for Governmental Funds of the City, are adopted on a basis consistent with USGAAP. Effective fiscal control for debt service funds is achieved through bond indenture provisions and other management controls. While budgets are prepared for City Capital Projects Funds, capital projects generally extend beyond one fiscal year and are controlled at the project level.

S. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 60

For the fiscal year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Reporting for Service Concession Arrangements." The objective of this Statement is to establish guidance for accounting and financial reporting for service concession arrangements (SCAs). These arrangements are often referred to as public-private partnerships or public-public partnerships (PPP). Implementation of GASB 60 did not have an impact on the City's financial statements for the fiscal year-ended June 30, 2013. The requirements of this Statement are effective for financial statements for periods

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

beginning after December 15, 2011.

Governmental Accounting Standards Board Statement No. 61

For the fiscal year-ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34." The Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete) presentation, and certain disclosure requirements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012. Implementation of GASB Statement No. 61 did not have an impact on the City's financial statements for the fiscal year-ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 62

For the fiscal year-ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement codifies into GASB accounting and financial reporting standards the "legacy" standards from the private-sector. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Implementation of GASB Statement No. 62 did not have an impact on the City's financial statements for the fiscal year-ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 63

For the fiscal year-ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Implementation of the Statement and the impact on the City's financial statements are explained in Note 1-L.

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

2. CASH AND INVESTMENTS

A. *Cash and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:*

Statement of net position:

Cash and investments	\$ 176,919,978
Cash and investments held by bond trustee	12,497,747
Fiduciary funds:	
Cash and investments	<u>6,185,343</u>
Total cash and investments	<u><u>\$ 195,603,068</u></u>

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$ 16,340
Deposits with financial institutions	3,319,626
Investments	<u>192,267,102</u>
Total cash and investments	<u><u>\$ 195,603,068</u></u>

B. *Investments Authorized by the City's Investment Policy*

The table below identifies the investment types that are authorized for the City by the City's Investment Policy. The table also identifies certain provisions of the City's Investment Policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the City's Investment Policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bonds/Notes	N/A	None	None
Federal Agency Issues	5 years	None	None
Municipal Obligations	5 years	30%	5%
Bankers' Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit (NCD)	5 years	30%	5%
Medium-Term Corporate Notes (MTN)	5 years	30%	5%
Local Agency Investment Fund (LAIF)	N/A	None	\$50 million
Mutual Funds	N/A	20%	None

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

C. Investments Authorized by Debt Agreements

Provisions of the debt agreements, rather than the general provisions of the City's investment policy, govern investments of debt proceeds held by bond trustees. The following table identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills	None	None	None
Federal Agency Issues	None	None	None
Bankers' Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

D. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City manages its exposure to declines in the fair value by employing a "buy and hold" investment strategy whereby investments are held to maturity at which time the investment is redeemed at par. This strategy limits the City's exposure to declines in fair value to unforeseen emergencies when the need for cash beyond that which is planned and anticipated may arise. The City has no formal policy on interest rate risk. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Value	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
U.S. Treasury Bonds/Notes	\$ 48,118,365	\$ 5,665,407	\$27,060,035	\$ 15,392,923	\$ -
Federal Agency Issues	33,055,804		5,022,665	28,033,139	
Medium-Term Corporate Notes (MTN)	38,179,830	2,010,372	5,625,807	30,543,651	
Local Agency Investment Fund (LAIF)	34,864,830	34,864,830			
Money Market Funds	15,544,856	15,544,856			
Certificates of Deposit	7,506,528		7,506,528		
Commercial Paper	2,499,142	2,499,142			
Held by fiscal agent:					
Money Market Funds	10,110,950	10,110,950			
Commercial Paper	2,386,797	2,386,797			
Total	\$192,267,102	\$ 73,082,354	\$45,215,035	\$ 73,969,713	\$ -

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

E. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments do not include investments that are highly sensitive to interest rate fluctuations beyond those indicated in the information provided on previous pages.

F. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year-end for each investment type.

At the time of the purchase of the investments listed above, all investments were rated A or higher. The City's policy has been to buy investments for the long term and to hold those investments to maturity.

Investment Type	Value	Minimum Legal Rating	Rating as of Year End				Not Rated
			AAA	AA+,AA, AA-	A+, A, A-	BBB+, BB+, BB	
U.S. TreasuryBonds/Notes	\$ 48,118,365	N/A		\$48,118,365			
Federal Agency Issues	33,055,804	N/A		33,055,804			
Medium-Term Corporate Notes	38,179,830	A	\$ 560,923	16,575,342	\$ 19,033,193	\$ 2,010,372	
Local Agency Investment Fund	34,864,830	N/A					\$ 34,864,830
Money Market Funds	15,544,856		15,544,856				
Certificates of Deposit	7,506,528				7,506,528		
Commercial Paper	2,499,142				2,499,142		
Held by fiscal agent:							
Money Market Funds	10,110,950	A	10,110,950				
Commercial Paper	2,386,797	A			2,386,797		
Total	\$ 192,267,102		\$ 26,216,729	\$97,749,511	\$ 31,425,660	\$ 2,010,372	\$ 34,864,830

G. Concentration of Credit Risk

The City's Investment Policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represented five percent or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
FHLMC	Federal Agency Issues	\$ 11,490,536
FNMA	Federal Agency Issues	21,565,268

H. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (i.g., broker-dealer) to a

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury Bonds/ Notes	\$ 48,118,365
Corporate Medium Term Notes	38,179,830
Federal Agency Issues	33,055,804
Certificates of Deposit	7,506,528
Commercial Paper	2,499,142

The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law.

The fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

As of June 30, 2013, none of the City's deposits with financial institutions in excess of Federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2013, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities.

I. Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

3. RECEIVABLES

The receivables as of fiscal year-end for the governmental and business-type activities, which include individual major funds, non-major funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are shown as follows:

Government accounts receivables:

Governmental	Accounts Receivable	Accrued Revenues	Loans Receivable	Totals
General Fund	\$ 1,032,655	\$ 4,066,431	\$ 414,956	\$ 5,514,042
Nonmajor Funds	2,814,923	112,954	4,392,985	7,320,862
Internal Service	81,031			81,031
Totals	<u>\$ 3,928,609</u>	<u>\$ 4,179,385</u>	<u>\$ 4,807,941</u>	<u>\$ 12,915,935</u>

Business-type receivables:

Business-type	Accounts Receivable	Other	Gross Receivables	Uncollectible Allowance	Net Total Receivables
Water and Wastewater	\$ 4,599,467	\$ 226,165	\$ 4,825,632	\$ (136,600)	\$ 4,689,032
Solid Waste	397,350	1,317,469	1,714,819	(48,754)	1,666,065
Transit	2,255,463	25,281	2,280,744		2,280,744
Internal Service	34,066		34,066		34,066
Totals	<u>\$ 7,286,346</u>	<u>\$ 1,568,915</u>	<u>\$ 8,855,261</u>	<u>\$ (185,354)</u>	<u>\$ 8,669,907</u>

4. CAPITAL ASSETS

A. Government-wide Financial Statements

A summary of changes in capital assets activity for the City's governmental activities for the fiscal year-ended June 30, 2013, is on the following page:

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Governmental Activities:	Balances at July 1, 2012	Increases	Decreases	Balances at June 30, 2013
Non-depreciable capital assets:				
Land	\$ 20,234,646			\$ 20,234,646
Construction in progress	7,061,906	\$ 1,922,565	\$ (7,061,906)	1,922,565
Right of Way Infrastructure	12,338,345			12,338,345
Total non-depreciable capital assets	39,634,897	1,922,565	(7,061,906)	34,495,556
Depreciable capital assets:				
Buildings and Improvements	123,545,804	7,121,882		130,667,686
Equipment	21,410,884	1,765,168	(1,381,976)	21,794,076
Infrastructure	168,132,050	1,392,650	(275,479)	169,249,221
Total depreciable capital assets	313,088,738	10,279,700	(1,657,455)	321,710,983
Less accumulated depreciation:				
Buildings and improvements	(39,029,823)	(2,869,583)		(41,899,406)
Equipment	(13,309,629)	(2,680,808)	1,330,929	(14,659,508)
Infrastructure	(100,755,397)	(5,567,703)	235,378	(106,087,722)
Total accumulated depreciation	(153,094,849)	(11,118,094)	1,566,307	(162,646,636)
Total depreciable capital assets, net	159,993,889	(838,394)	(91,148)	159,064,347
Governmental activities capital assets, net	\$ 199,628,786	\$ 1,084,171	\$ (7,153,054)	\$ 193,559,903

Fund Financial Statements

A summary of changes in capital assets activity, by type, for the City's governmental activities for the fiscal year-ended June 30, 2013, is as follows:

Net Capital Assets By Type:	Balances at July 1, 2012	Increases	Decreases	Balances at June 30, 2013
Capital Assets	\$ 112,750,723	\$ 5,684,690	\$ (6,718,925)	\$ 111,716,488
Internal Service Fund Assets	7,163,065	(425,466)	(394,028)	6,343,571
Infrastructure Assets	79,714,998	(4,175,053)	(40,101)	75,499,844
Net Capital Assets by Type	\$ 199,628,786	\$ 1,084,171	\$ (7,153,054)	\$ 193,559,903

The fund financial statements do not present general government capital assets but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position.

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

B. Business-Type Capital Assets

A summary of changes in capital assets activity for the City's business-type activities for the fiscal year ended June 30, 2013, is as follows:

<u>Business-type Activities:</u>	Balances at July 1, 2012	Increases	Decreases	Balances at June 30, 2013
Non-depreciable capital assets:				
Land	\$ 12,226,027			\$ 12,226,027
Construction in progress	5,485,920	\$ 3,895,075	\$ (5,485,920)	3,895,075
Total non-depreciable capital assets	<u>17,711,947</u>	<u>3,895,075</u>	<u>(5,485,920)</u>	<u>16,121,102</u>
Depreciable capital assets:				
Buildings and improvement	149,846,271	1,991,231	(1,030,506)	150,806,996
Equipment and vehicles	37,523,803	4,599,261	(781,401)	41,341,663
Total depreciable capital assets	<u>187,370,074</u>	<u>6,590,492</u>	<u>(1,811,907)</u>	<u>192,148,659</u>
Less accumulated depreciation for:				
Building and improvements	(53,353,293)	(5,014,107)	604,831	(57,762,569)
Equipment and vehicles	(17,732,680)	(3,395,305)	767,189	(20,360,796)
Total accumulated depreciation	<u>(71,085,973)</u>	<u>(8,409,412)</u>	<u>1,372,020</u>	<u>(78,123,365)</u>
Total depreciable capital assets, net	<u>116,284,101</u>	<u>(1,818,920)</u>	<u>(439,887)</u>	<u>114,025,294</u>
Business-type activities capital assets, net	<u>\$ 133,996,048</u>	<u>\$ 2,076,155</u>	<u>\$ (5,925,807)</u>	<u>\$ 130,146,396</u>

A summary of changes in capital assets activity, by type, for the City's business-type activities for the fiscal year ended June 30, 2013, is as follows:

<u>Net Capital Assets By Type:</u>	Balances at July 1, 2012	Increases	Decreases	Balances at June 30, 2013
Water and Wastewater	\$ 92,847,229	\$ 1,107,930	\$ (2,890,015)	\$ 91,065,144
Solid Waste	21,042,462	2,156,878	(2,916,995)	20,282,345
Transit	15,550,880	(681,363)		14,869,517
Internal Service Fund Assets	4,555,477	(507,290)	(118,797)	3,929,390
Net Capital Assets by Type	<u>\$ 133,996,048</u>	<u>\$ 2,076,155</u>	<u>\$ (5,925,807)</u>	<u>\$ 130,146,396</u>

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

C. Depreciation Expense

Depreciation expense of \$19,527,506 was charged to the following functions:

	Governmental Activities	Business-type Activities	Total
General Government	\$ 108,187	\$ -	\$ 108,187
Public Safety	427,292		427,292
Public Works	5,593,901		5,593,901
Community Development	859,730		859,730
Library	642,088		642,088
Recreation and Parks	924,524		924,524
Internal Service Funds	2,562,372	1,413,809	3,976,181
Water and Wastewater		4,083,366	4,083,366
Solid Waste		2,052,778	2,052,778
Public Transit		859,459	859,459
	<u>\$ 11,118,094</u>	<u>\$ 8,409,412</u>	<u>\$ 19,527,506</u>

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Due To and From Other Funds

The Due To and From Other Funds are as follows:

Fund	Due From Other Funds	Due to Other Funds
Non-major Governmental Funds		\$ 3,500,000
Internal Service Fund	\$ 3,500,000	
Total	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>

The outstanding balances among funds results from cash advances to non-major funds to correct cash deficits at fiscal year-end. The cash deficits are largely the result of time lags between the dates that expenditures are incurred and cash payments are received, such as occurs in grant funds. The City expects the amounts due the Insurance Internal Service Fund to be collected in the subsequent fiscal year.

B. Advances Payable/Receivable

On October 31, 2012, the Solid Waste Collection advanced the General Fund \$5,572,242. The advance was used to prepay the CalPERS Side Fund for the Fire Safety Pension Plan. Beginning in fiscal year 2014, the General Fund will pay the Solid Waste Collection Fund annual payments of \$653,237 over ten years for repayment of the advance.

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

On October 31, 2012, the Solid Waste Collection Fund advanced the General Capital Projects Fund \$875,000 to pay the matching portion of the levee construction project. Beginning in fiscal year 2014, the General Fund will transfer the annual payments of \$106,130 to the General Capital Projects Fund for payment to the Solid Waste Collection Fund. Payments are scheduled for nine years.

C. Transfers In and Out

The transfers in and out between funds are shown below:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 4,150,461	\$ 5,012,460
Non-major Governmental Funds	4,992,550	2,737,921
Water and Wastewater Fund		541,170
Solid Waste Fund		508,130
Transit Fund		111,330
Internal Service Funds		232,000
	<hr/>	<hr/>
Total	<u>\$ 9,143,011</u>	<u>\$ 9,143,011</u>

Interfund transfers are used to (1) move revenues from funds required by statute or budget to collect, to the funds required by statute or budget to expend; (2) to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) to cover negative cash balances in the funds.

6. LONG-TERM DEBT

The following is a summary of the City's bonds, certificates of participation, and long-term liability transactions for the fiscal year ended June 30, 2013:

A. Governmental Activities

On the following page is a summary of the changes in the governmental funds long-term debt for the fiscal year ended June 30, 2013:

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

<u>Liabilities</u>	<u>Balance 7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2013</u>	<u>Due within one year</u>
Bonds payable	\$ 7,000,000		\$ (2,325,000)	\$ 4,675,000	\$ 2,445,000
Add:					
Premium	533,317		(133,329)	399,988	(133,329)
Less: deferred amounts on refunding	<u>(342,931)</u>		<u>85,732</u>	<u>(257,199)</u>	<u>85,732</u>
Total bonds payable	<u>7,190,386</u>		<u>(2,372,597)</u>	<u>4,817,789</u>	<u>2,397,403</u>
Compensated absences	4,915,646	\$ 2,913,588	(3,101,975)	4,727,259	3,498,172
OPEB liability	1,634,888	401,922	(119,639)	1,917,171	
Property purchase obligation	504,563		(21,978)	482,585	22,638
Claims payable	7,044,079	1,723,354	(668,615)	8,098,818	2,235,863
Capital lease payable		<u>2,452,500</u>		<u>2,452,500</u>	<u>289,058</u>
Total	<u>\$ 21,289,562</u>	<u>\$ 7,491,364</u>	<u>\$ (6,284,804)</u>	<u>\$ 22,496,122</u>	<u>\$ 8,443,134</u>

Lease Revenue Refunding Bonds Payable

The City issued \$23,460,000 of refunding revenue bonds with an average interest rate of 3.8 percent to advance refund \$26.5 million of outstanding 1993 revenue bonds with an average interest rate of 5.1 percent. Payments are due in annual installments ranging from \$2,682,325 to \$1,205,112 through June 1, 2016.

Compensated Absences

The General Fund was primarily responsible for the liquidation of \$3,101,975 outstanding compensated absences during fiscal year 2012-13. The \$4,727,259 of outstanding compensated absences at June 30, 2013, is also primarily the responsibility of the General Fund over the long term.

OPEB Liability

The General Fund was primarily responsible for the addition of "other post employment benefits" (OPEB) liabilities of \$401,922 during 2012-13. Over the long term, the \$1,917,171 of outstanding OPEB at June 30, 2013, is also primarily the responsibility of the General Fund.

Arbitrage

The Tax Reform Act of 1986 (Act), substantially revised the treatment to be afforded to arbitrage earnings on invested bond proceeds and now requires the City to remit excess arbitrage earnings to the Internal Revenue Service. Certain of the City's debt and interest earned on the proceeds, thereon, fall under the requirements of the Act. The City has made the necessary arbitrage rebate calculations. As of June 30, 2013, the City incurred no rebate liability for the Bonds.

Property Purchase Obligation

On August 27, 2003, the City entered into a Real Property Purchase Agreement for the acquisition of property required in connection with a new City Library project. Yearly payments of \$37,680, which includes principal and interest at 3.003 percent, in addition to a final payment of \$425,000 will continue through September 26, 2016.

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Debt Service Requirements to Maturity - Governmental Activities

The annual requirements to amortize outstanding long-term debt of the City's Governmental Activities as of June 30, 2013, excluding amounts for compensated absences, property purchase obligation, and claims payable are shown below:

Fiscal Year Ending June 30,	Refunding Lease Revenue Bond	
	Principal	Interest
2014	\$ 2,445,000	\$ 239,325
2015	1,085,000	117,075
2016	1,145,000	60,113
Total payments	<u>\$ 4,675,000</u>	<u>\$ 416,513</u>

B. Business-type Activities

On the following page is a summary of the changes in the business-type activities long-term debt for the fiscal year ended June 30, 2013:

Long-term Liabilities	Balance 7/1/2012	Additions	Deletions	Balance 6/30/2013	Due within one year
Certificate of participation payable 1997 A & B	\$ 6,437,099		\$ (610,497)	\$ 5,826,602	\$ 1,307,736
Add: Accretion	8,733,667	\$ 838,743	(739,503)	8,832,907	1,767,264
2012 A/B Bonds	50,119,493			50,119,493	
Add: Accretion	68,402	600,723		669,125	41,905
Less:					
Deferred by refunding	(3,970,176)		366,051	(3,604,125)	(366,051)
Deferred by refunding 2012	(2,299,466)		95,811	(2,203,655)	(95,811)
2012 Bond premium	856,280		(35,678)	820,602	35,678
2012 Underwriter's discoun	(213,651)		8,902	(204,749)	(8,902)
2012 Costs of issuance	(212,663)		8,861	(203,802)	(8,861)
Total COP's	<u>59,518,985</u>	<u>1,439,466</u>	<u>(906,053)</u>	<u>60,052,398</u>	<u>2,672,958</u>
Compensated absences	859,157	748,424	(761,688)	845,893	727,479
OBEB liability	339,275	92,851	(27,280)	404,846	
Claims payable	2,348,026	574,451	(222,871)	2,699,606	745,287
Accrued closure costs	12,561,579	952,835		13,514,414	
Capital lease payable		2,452,500		2,452,500	289,058
Total	<u>\$ 75,627,022</u>	<u>\$ 6,260,527</u>	<u>\$ (1,917,892)</u>	<u>\$ 79,969,657</u>	<u>\$ 4,434,782</u>

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Local Water and Wastewater Revenue Refunding Bonds issued June 19, 2012:

On June 19, 2012, the City issued \$50,119,493 Water and Wastewater 2012A/B Revenue Refunding Bonds (Bonds) with interest rates ranging from 3 percent to 5 percent to current refund prior Certificates of Participation (COPS) with interest rates ranging from 5 percent to 7.4 percent and a par value of \$38,320,394. The prior COPS mature annually on August 1 between 2013 and 2022. The Bonds were issued at a premium of \$856,280 and, after paying issuance costs of \$212,663 and underwriter's discount of \$213,651, the net proceeds were \$50,549,459. The net proceeds from the issuance of the bonds were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are due. The current refunding met the requirements of an in-substance defeasance and the COPS were removed from the City's government-wide financial statements. As a result of the current refunding, the City reduced its current debt annual service by approximately \$2,000,000 through 2027, which resulted in an economic gain of \$3,067,050. As of June 30, 2013, \$37,714,735 of deferred COPS are still outstanding.

Payments on the Bonds are due in annual level installments of approximately \$4.63 million through February 1, 2036, with interest averaging 4.36 percent. The early optional redemption on the 2012 bonds is February 1, 2022 with no early redemption premium.

Debt Service Requirements to Maturity- Business-type Activities:

The annual requirements to amortize outstanding long-term debt of the City's business-type activities as of June 30, 2013, excluding amounts for claims payable, and compensated absences, including interest payments are shown below:

Fiscal Year Ending June 30,	Certificate of Participation (1997)		Water & Wastewater Revenue Refunding Bonds (2012 A/B)	
	Principal *	Interest *	Principal *	Interest *
2014	\$ 1,307,736	\$ 1,767,264		\$ 1,554,363
2015	1,228,585	1,846,415		1,554,363
2016	1,153,156	1,921,844		1,554,362
2017	1,081,262	1,993,738		1,554,362
2018	547,104	2,527,896	\$ 2,928,477	1,700,885
2019-2023	508,759	2,566,241	7,384,622	9,612,290
2024-2028			12,455,069	10,687,994
2029-2033			16,835,637	6,313,863
2034-2036			10,515,688	3,375,812
Total debt service payments	<u>\$ 5,826,602</u>	<u>\$ 12,623,398</u>	<u>\$ 50,119,493</u>	<u>\$ 37,908,294</u>

*The principal payment does not include accreted interest. Accreted interest is included as interest in the debt service schedule.

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Capital Lease

On March 22, 2013, the City entered into three lease agreements with Suntrust Equipment Finance Corporation for the acquisition of vehicles and equipment for the Fleet Services Fund for \$4,905,000. The three leases have terms of seven, ten and twelve years with interest rates ranging from 2.14 to 2.68 percent. Payments are due semi-annually under the terms of the lease agreement. At June 30, 2013, the outstanding balance was \$4,905,000.

Lease debt service payments to maturity are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Payments</u>
2014	\$ 686,327
2015	686,327
2016	686,327
2017	686,327
2018	686,327
2019-2023	1,819,153
2024-2028	<u>166,899</u>
Total payments	5,417,687
Less: amount representing interest	<u>(512,687)</u>
Present value of minimum lease payments	<u><u>\$ 4,905,000</u></u>

7. INDIVIDUAL FUND INFORMATION

A. Excess of Expenditures over Appropriations

The following individual non-major special revenue funds reported expenditures exceeding budget:

<u>Fund</u>	<u>Amount Over Budget</u>
Federal and State Asset Forfeiture	\$ 78,444
Public Access Television	3,708

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

B. Deficit Fund Equity

The non-major special revenue funds with a deficit fund balance at June 30, 2013, are shown as follows:

<u>Fund</u>	<u>Deficit Fund Balance</u>
Growth Mitigation	\$ (1,391,647)
Stowell Parking and Lighting	(39,729)
Street Grant	(431,907)

The deficit results from timing issues regarding grant funding, property tax receipts and developer fees.

C. Water and Wastewater Fund

The Water and Wastewater Fund has long-term commitments to purchase water from the State Water Project. The Fund has contracted for 16,200 acre-feet of water per year plus a “drought buffer” of 1,620 acre-feet per year at costs estimated between \$12 and \$20 million per year through 2035. The estimated State Water payments for each of the next five fiscal years, are summarized as follows:

<u>Fiscal Ending June 30</u>	<u>Amount</u>
2014	\$ 17,899,772
2015	18,625,071
2016	19,312,860
2017	19,728,068
2018	20,031,683

8. EMPLOYEES' RETIREMENT PLANS

A. Pension Plan

Plan Description: The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy: Participants are required to contribute eight percent (nine percent for public safety employees) of their annual covered salary. The City pays the full-time employee portion of the CalPERS contributions in the amounts of eight percent for miscellaneous employees; and nine percent for public safety employees. On April 19, 2011, the City adopted a two-tier retirement system for all employees hired after July 1, 2011. Safety employees hired after that date are required to contribute the employee's nine percent and miscellaneous employee's are required to contribute their eight percent. The City is required to contribute at an actuarially determined rate for fiscal year 2012-13, the City contribution rate is 26.752 percent for Police, 26.416 percent for Fire, and 17.667 percent for miscellaneous. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

Fire Safety Employee Plan Change: Effective July 1, 2003, the City's Fire Safety Employee Plan became a member of CalPERS Safety three percent at 50 Risk Pool, a cost-sharing multiple-employer defined benefit pension plan. CalPERS regulations require that public agency plans with less than a 100 active members participate in a risk pool. After joining a risk pool, a plan cannot, at a future date, request to leave the risk pool structure and become a stand-alone plan. Therefore, even if the City were to exceed 100 members active members in the future, the Fire Safety Employee Plan will remain in the risk pool. On October 31, 2012, the City paid to CalPERS \$5,572,242 toward its unfunded liability.

Annual Pension Cost: For fiscal year 2013, the City's annual pension cost of \$9.5 million for CalPERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions are unchanged from the prior fiscal year and include: (a) 7.75 percent investment rate of return (net of administrative expenses); (b) projected annual salary increases that vary by duration of service; and (c) 2.00 percent per fiscal year cost-of-living adjustments. Both (a) and (b) included an inflation component of three percent. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). CalPERS initial unfunded actuarial accrued liability was amortized as a level percentage of projected payrolls on a closed basis. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plans are amortized over an open 30-year period, which results in an amortization of 6 percent of unamortized gains and losses each year. If the plan had an accrued liability exceeding the actuarial value of plan assets, then the amortization payment of the total unfunded liability may

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

not be lower than the payment calculated over a 30-year amortization period. Below is a schedule of employer contributions (in thousands) for pension benefits. In the current year, the City corrected the prior year allocations among the three plans.

Safety Police Plan

6/30/2011	\$	2,989	100%
6/30/2012		3,345	100%
6/30/2013		2,852	100%

Safety Fire Plan

6/30/2011	\$	1,929	100%
6/30/2012		2,019	100%
6/30/2013		1,736	100%

Miscellaneous Plan

6/30/2011	\$	4,222	100%
6/30/2012		5,197	100%
6/30/2013		4,954	100%

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Funding Status and Progress: The funded status of the Fire Safety Plan and the Miscellaneous Plan (in thousands) as of June 30, 2012, the plans most recent actuarial valuation date is shown below. The Police Safety Plan is as of June 30, 2011.

	<u>Police Safety Employee Plan</u>	<u>Fire Safety Employee Plan</u>	<u>Miscellaneous Employee Plan</u>
Actuarial accrued liability (AAL)	\$ 90,399	\$ 42,775	\$ 165,324
Actuarial value of plan assets	76,202	32,717	135,679
Unfunded actuarial accrued liability (UAAL)	\$ 14,197	\$ 10,058	\$ 29,645
Funded ratio (actuarial value of plan assets/AAL)	84.3%	76.5%	82.1%
Covered payroll (active plan members)	\$ 8,837	\$ 4,738	\$ 20,388
UAAL as a percentage of covered payroll	160.7%	212.3%	145.4%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

B. Defined Contribution Pension Plan

All 19-hour limited-service employees and employees not covered by CalPERS are covered by the Public Agency Retirement System (PARS), pursuant to the requirements of 3121 (b)(7)(F) of the Internal Revenue Service code. PARS is a Defined Contribution Plan qualifying under 401(a) and 501 of the Internal Revenue Service code. Plan provisions may only be amended by City Council action.

Contributions of 7.5 percent of covered compensation are made by the employees. Contributions of \$53,538 were made during the fiscal year-ending June 30, 2013. The total amount of covered compensation was \$713,840. All eligible employees covered by the plan are fully vested and may withdraw 100 percent of the value of employee's account upon separation from the City or reaching the age of 70½. City liabilities are limited to the amount of current contributions.

The account summary, below, reports the additions and distributions during fiscal year 2012-13:

Beginning Balance		\$ 287,326
Plus:		
Contributions	\$ 53,538	
Year-to-Date Earnings	3,123	
Subtotal	<u>56,661</u>	56,661
Less:		
Year-to-date expenses	6,663	
Distributions	38,162	
Subtotal	<u>44,825</u>	<u>44,825</u>
Ending Balance		<u>\$ 299,162</u>

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

9. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description: The City provides post-retirement health benefits, in accordance with State statutes, to all employees retiring from the City and enrolled in an insurance program under the California Public Employees' Medical and Hospital Care Act (PEMHCA). The CalPERS PEMHCA Plan is a defined contribution, cost sharing multiple-employer defined benefit healthcare plan providing benefits to active and retired employees. The healthcare plan is administered by the California Public Employees Retirement Agency. Copies of the CalPERS annual financial report may be obtained from the Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy: PEMHCA determines the amount contributed by the City toward retiree health insurance. Currently, the City is required to contribute \$115 per month toward the cost of the retiree health insurance, which is the same amount contributed toward active employee health insurance. The balance of the premium, averaging approximately \$721 per month, is paid directly by the retirees to CalPERS. The mandatory employer contribution for active and retiree health insurance is increased annually in accordance with PEMHCA regulations. The contribution amount is calculated by using the annual consumer price index increase. During fiscal year 2012-13, expenditures of \$158,831 were recognized for post-retirement health insurance contributions on a pay-as-you-go basis.

The City is required to record the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is 1.5 percent of annual covered payroll.

Annual OPEB Cost: For fiscal year-ended June 30, 2013, the City contributed \$158,831 for pay-as-you-go premiums to the Plan. As a result, the City has calculated and recorded the Net OPEB Obligation, representing the difference the ARC, amortization and contributions, as presented below:

	<u>Net OPEB Obligation Calculation</u>
Annual Required Contribution (ARC)	\$ 536,401
Amortization of Net OPEB Liability	(128,424)
Interest on Net OPEB Liability	98,708
Annual OPEB Cost	<u>506,685</u>
Contributions made:	
City share of current year premiums paid	<u>158,831</u>
Contributions less than the ARC	347,854
Net OPEB Obligation at June 30, 2012	<u>1,974,163</u>
Net OPEB Obligation at June 30, 2013	<u><u>\$ 2,322,017</u></u>

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The City's ARC and actual contributions for the years-ended June 30 are set forth below:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Net OPEB Obligation</u>	<u>% of Annual OPEB Cost Contributed</u>
06/30/09	\$ 530,280	\$ 103,570	\$ 857,468	20%
06/30/10	\$ 475,593	\$ 113,530	\$ 1,219,531	24%
06/30/11	\$ 511,847	\$ 126,153	\$ 1,605,225	25%
06/30/12	\$ 512,243	\$ 143,305	\$ 1,974,163	28%
06/30/13	\$ 506,685	\$ 158,831	\$ 2,322,017	31%

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2013, is shown below:

Actuarial accrued liability (AAL)	\$ 6,248,027
Actuarial value of plan assets	
Unfunded actuarial accrued liability (UAAL)	<u>\$ 6,248,027</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 33,809,286
UAAL as a percentage of covered payroll	18%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013, actuarial valuation, the Projected Unit Credit cost method was used. The actuarial assumptions included a four percent investment rate of return (net of administrative

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

expenses) and an annual healthcare cost trend rate of eight percent initially, reduced by decrements to an ultimate rate of five percent after four years. The medical inflation rate used is four percent. The post-retirement benefit increases are zero. The actuarial value of plan assets was not calculated in this, as there are no assets to value. The plan unfunded actuarial accrued liability is being amortized over a 30-year open amortization period.

The City did not pre-fund retiree healthcare costs nor did the City establish an irrevocable trust for retiree healthcare costs. The City did establish a separate cash account and assignment of fund balance, in the amount of \$6,248,027, which is the present value of all benefits earned to date assuming that an employee earns retiree healthcare benefits ratably over his or her career. This is the amount actuarially determined to be required to fund healthcare benefits for these employees and retirees in the future. However, because the assets are not in an irrevocable trust, the \$6,248,027 cannot be used to offset the actuarial accrued liability shown above. The decision to not use an irrevocable trust was made because of the current National and State economic issues and the possibility that the funds may be required to provide current services to the residents of the community.

10. RISK MANAGEMENT

The City is partially self-insured for workers' compensation and liability claims and fully self-insured for unemployment claims. The City has been partially self-insured for workers' compensation since July 1, 1978.

The City and the Santa Maria Public Finance Authority property are covered for all risks, per occurrence of \$1,000,000,000 through the California Public Entity Property Program. Various unique risks, (i.e., boilers, machinery, and data processing equipment) are fully insured. The City contracts for liability insurance with Exclusive Risk Management Authority of California providing excess liability insurance of \$25 million per claim in excess of the City's self-insured retention of \$250,000.

The City maintains a \$500,000 self-insured retention (SIR) for workers' compensation claims. The Local Agency Workers' Compensation Excess (LAWCX) Joint Powers Insurance Authority provides insurance in excess of the City's SIR, and \$2 million in employer liability. The City's Insurance Fund is financed through contributions made by the City's General and Proprietary funds.

Third party administration provides data on estimated claim liabilities (paid and reserves). As of June 30, 2013, the estimated outstanding liability was \$9,710,609 for workers' compensation and \$1,087,815 for general liability. Such amounts have been accrued in the accompanying combined financial statements' Internal Service Insurance Fund. At June 30, 2013, the estimated liability for claims payable is \$10,798,424. The City's liability for claims payable is based on claims reserves established by the claims administrators and actuarial studies. The claims liability includes an allowance for incurred, but not reported losses.

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Insurance Claims Payable

	<u>2011-12</u>	<u>2012-13</u>
Claims payable at July 1	\$ 8,918,292	\$ 9,392,105
Claims incurred during the fiscal year	1,415,310	2,297,805
Payments on claims during the fiscal year	<u>(941,497)</u>	<u>(891,486)</u>
Claims and judgments payable at June 30	<u>\$ 9,392,105</u>	<u>\$ 10,798,424</u>

11. STABILIZATION RESERVE

The General Fund established an Economic Stabilization (Prudent Reserve) account for use in economic emergencies. The City Council adopted a resolution committing \$19,800,000 for this purpose. Appropriations from these reserves can only be made by formal City Council action in emergency situations. Examples of such emergencies include, but are not limited to:

- An unplanned, major event such as a catastrophic disaster requiring expenditures over five percent of the General Fund adopted budget.
- Budgeted revenue taken over by another entity.
- Drop in projected/actual revenue of more than five percent of the General Fund adopted revenue budget.

12. PRIOR PERIOD ADJUSTMENTS

Two prior period adjustments occurred in major funds. In fiscal year 2013, the General Fund paid off the Fire Side Fund pension obligation for \$5,572,242. This obligation was initially incurred in fiscal year 2003 and should have been recorded as long term debt. Therefore, the payoff results in a prior period adjustment to the government-wide financial statements. In the Transit Enterprise Fund, Local Transportation Fund (LTF) revenues were overstated by \$1,373,714 in fiscal year 2012 because fare revenue was added instead of subtracted from gross expenditures. LTF revenues are recognized based on net expenditures.

The impact of the prior period adjustments on the Statement of Activities is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Beginning net position	\$ 272,635,150	\$ 175,039,698	\$ 447,674,848
Total prior period adjustments	<u>(5,572,242)</u>	<u>(1,373,714)</u>	<u>(6,945,956)</u>
Beginning net position, restated	<u>\$ 267,062,908</u>	<u>\$ 173,665,984</u>	<u>\$ 440,728,892</u>

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The impact of the prior period adjustments on the individual fund is as follows:

	<u>Transit Fund</u>
Beginning net position	\$ 17,061,822
Correction of overstatement of revenues at 6/30/12	<u>(1,373,714)</u>
Beginning net position, restated	<u>\$ 15,688,108</u>

13. RECONCILIATION - ENTERPRISE NET POSITION

The proprietary fund statement of net position includes a reconciliation between *net position-total enterprise funds* and *net position of business-type activities* as reported in the government-wide statement of net position. The description of the sole element of that reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this \$619,341 difference are shown as follows:

Internal receivable representing charges less than cost to business-type activities - current fiscal year.	<u>\$ (619,341)</u>
Net adjustment to decrease net position - total enterprise funds to arrive at net position - business-type activities.	<u>\$ (619,341)</u>

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available for issuance which is December 13, 2013.

Required Supplementary Information



City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2013

1. BUDGETARY INFORMATION

The following are budget comparison schedules for the General Fund:

Budget Comparison Schedule, General Fund

For the Fiscal Year Ended June 30, 2013

	Budget Amounts		Actual	Variance
	Original	Final		Over (Under)
REVENUES:				
Taxes	\$ 40,531,790	\$ 40,531,790	\$ 42,153,853	\$ 1,622,063
Permits, fines and forfeitures	934,200	934,200	1,181,654	247,454
Revenues from use of money	1,082,160	1,082,160	988,590	(93,570)
Aid from governmental agencies	854,370	1,840,230	1,643,755	(196,475)
Charges for current services	5,683,590	5,729,720	5,323,246	(406,474)
Other revenue	90,100	95,130	1,291,954	1,196,824
Total revenues	49,176,210	50,213,230	52,583,052	2,369,822
EXPENDITURES:				
Current:				
General government	7,498,840	7,473,410	6,970,704	(502,706)
Community development	2,732,080	2,778,190	2,549,800	(228,390)
Public safety	32,287,150	32,929,170	30,273,361	(2,655,809)
Recreation and parks	8,126,520	8,163,180	7,748,471	(414,709)
Public works	2,374,560	2,389,270	2,253,959	(135,311)
Library		29,100	21,787	(7,313)
Non-departmental		5,572,250	5,572,242	(8)
Capital outlay		405,440	443,783	38,343
Debt service:				
Principal	942,000	2,327,000		(2,327,000)
Interest and fiscal charges	466,330	355,580		(355,580)
Total expenditures	54,427,480	62,422,590	55,834,107	(6,588,483)
REVENUES OVER (UNDER) EXPENDITURES	(5,251,270)	(12,209,360)	(3,251,055)	8,958,305
OTHER FINANCING SOURCES (USES):				
Transfers in	6,673,590	6,673,590	4,150,461	(2,523,129)
Transfers out	(2,280,270)	(2,399,370)	(5,012,460)	(2,613,090)
Total other financing sources (uses)	4,393,320	4,274,220	(861,999)	(5,136,219)
Net change in fund balance	\$ (857,950)	\$ (7,935,140)	(4,113,054)	\$ 3,822,086
FUND BALANCE:				
Beginning of fiscal year			40,749,118	
End of fiscal year			\$ 36,636,064	

See Accompanying Note to Required Supplementary Information.

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION, Continued For the Fiscal Year Ended June 30, 2013

2. MODIFICATION TO ADOPTED BUDGET (Note to Required Supplementary Information)

The City Council is responsible for the adoption of the City's two fiscal year budget. As of the effective date of the budget, the proposed expenditure amounts reported in the City's two fiscal year budget, become appropriations to City departments. The City Council has the authority to amend the budget by motion during the two-year period, while the City Manager is authorized to transfer the budgeted funds among departments or functions within the same fund without seeking approval by the City Council. However, any revisions altering the total fund balance must be approved by the City Council.

Remaining appropriations at the end of the first fiscal year of the two fiscal year budget are eligible to be carried forward to the second fiscal year. At the end of the second fiscal year, all appropriations lapse unless encumbered. Because lease contracts are subject to annual review by the City Council, these contracts are legally one year contracts with an option for renewal for another fiscal year.

The City's originally adopted budget and the budget amended for supplemental appropriations during the course of the fiscal year are reported in the Required Supplementary Information. Budget amounts reported for governmental funds of the City are adopted on a basis consistent with USGAAP.

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION, Continued

For the Fiscal Year Ended June 30, 2013

3. DEFINED PENSION PLAN

The following table provides required supplementary information regarding the City's CalPERS Plan:

Schedule of Funding Progress (in thousands)

Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/08						
Misc.	\$ 110,944	\$ 118,221	\$ 7,277	93.8%	\$ 18,498	39 %
Police	64,225	73,631	9,406	87.2%	8,984	105 %
*Fire						
Total	<u>\$ 175,169</u>	<u>\$ 191,852</u>	<u>\$ 16,683</u>	<u>91.3%</u>	<u>\$ 27,482</u>	<u>61 %</u>
6/30/09						
Misc.	\$ 116,264	\$ 138,457	\$ 22,193	84.0%	\$ 21,681	102 %
Police	67,825	80,922	13,097	83.8%	9,685	135 %
*Fire						
Total	<u>\$ 184,089</u>	<u>\$ 219,379</u>	<u>\$ 35,290</u>	<u>83.9%</u>	<u>\$ 31,366</u>	<u>113 %</u>
6/30/10						
Misc.	\$ 122,302	\$ 146,896	\$ 24,594	83.3%	\$ 21,707	113 %
Police	71,771	83,662	11,891	85.8%	9,265	128 %
*Fire						
Total	<u>\$ 194,073</u>	<u>\$ 230,558</u>	<u>\$ 36,485</u>	<u>84.2%</u>	<u>\$ 30,972</u>	<u>118 %</u>
6/30/11						
Misc.	\$ 129,087	\$ 156,767	\$ 27,680	82.3%	\$ 21,163	131 %
Police	76,202	90,399	14,197	84.3%	8,837	161 %
Fire	31,108	40,913	9,805	76.0%	4,637	211 %
Total	<u>\$ 236,397</u>	<u>\$ 288,079</u>	<u>\$ 51,682</u>	<u>82.1%</u>	<u>\$ 34,637</u>	<u>149 %</u>
6/30/12						
Misc.	\$ 135,679	\$ 165,324	\$ 29,645	82.1%	\$ 20,388	145 %
**Police						
Fire	32,717	42,775	10,058	76.5%	4,738	212 %
Total	<u>\$ 168,396</u>	<u>\$ 208,099</u>	<u>\$ 39,703</u>	<u>80.9%</u>	<u>\$ 25,126</u>	<u>158 %</u>

*Fire - The City's Fire employees were combined into a CalPERS risk pool. The City is not reported separately, therefore,

GASB Statement Number 27 does not require the City to report the pool funding status. In fiscal year 2011, CalPERS began reporting the City separately from the pool.

**Police - The actuarial valuation for the Police Safety Plan for June 30, 2012 had not yet been prepared.

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION, Concluded

For the Fiscal Year Ended June 30, 2013

4. SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT HEALTHCARE COSTS

The following table provides required supplementary information regarding the City's postemployment healthcare benefits.

Schedule of Funding Progress

<u>Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
6/30/08	\$ 0	\$ 3,332,851	\$ 3,332,851	0.0%	\$ 30,596,487	10.9%
6/30/09	\$ 0	\$ 4,143,411	\$ 4,143,411	0.0%	\$ 34,380,964	12.1%
6/30/11	\$ 0	\$ 4,539,343	\$ 4,539,343	0.0%	\$ 33,072,086	13.7%
6/30/13	\$ 0	\$ 6,248,027	\$ 6,248,027	0.0%	\$ 33,809,286	18.5%

Supplementary Information

DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

Library Fund - The Library Fund accounts for resources used to provide library services to north county residents in the communities of Santa Maria, Cuyama, Guadalupe, and Orcutt.

Traffic Safety Fund - The Traffic Safety Fund is used to account for fines and penalties received from traffic law violations. Funds received are used to support safety operations.

Drainage Districts Fund - The Drainage Districts Fund accounts for resources used to provide drainage in specific areas of the City.

Land Acquisition Tax Fund - The Land Acquisition Tax Fund is used to account for receipts and use of subdivision in-lieu tax for the acquisition of parks.

Growth Mitigation Fund - The Growth Mitigation Fund accounts for the receipt of developer and user fees as approved under the State of California Assembly Bill 1600.

Residential Development Tax Fund - The Residential Development Tax Fund accounts for the development and rehabilitation of parks.

Landscape Maintenance Fund - The Landscape Maintenance Fund accounts for property tax revenues that are restricted to providing landscaping to specific areas in the City.

Stowell Parking and Lighting Assessment Fund - The Stowell Parking and Lighting Assessment Fund is used to account for property tax revenues that are restricted to providing lighting and landscaping to the Stowell Plaza Shopping Center.

Business Attraction Loan Fund - The Business Attraction Loan Fund is used to account for a revolving loan program aimed at attracting new businesses, expanding, and retaining existing businesses in the community.

Supplemental Law Enforcement Service Grant Fund - The Supplemental Law Enforcement Service Grant Fund accounts for resources provided to units of local government to underwrite projects to reduce crime and improve public safety.

Federal and State Asset Forfeiture Fund - The Federal and State Asset Forfeiture Fund is used to account for Federal and State drug assets forfeiture funds received by the City.

Gas Tax Fund and Local Street Fund - The Gas Tax Fund and Local Street Fund account for resources from gas taxes collected by the State; and local projects financed by a ½ cent Santa Barbara County sales tax.

Street Grant Fund - The Street Grant Fund accounts for resources from grants received from Federal and State programs.

Workforce Investment Act Grant Fund - The Workforce Investment Act Grant Fund is used to account for grant proceeds aimed at providing training to at risk students.

DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS

Public Access Television Fund - The Public Access Television Fund accounts for resources provided to fund a studio, equipment, and personnel to produce and broadcast television articles in the areas of government, public information, and public access for private citizens.

Grant (Non-recurring) Fund - The Non-recurring Grant Fund accounts for one-time significant grants received such federal stimulus monies.

Debt Service Funds

Public Financing Authority Fund - The Public Financing Authority Fund accounts for the debt requirement of the Public Financing Authority.

City Debt Service Fund - The City Debt Service Fund accounts for the debt requirements of the City.

Capital Projects Funds

General Capital Projects - The General Capital Projects Fund is used to account for the purchase and construction of capital assets for the General Fund.

Community Development Fund - The Community Development Fund was established to account for receipts from Community Development Block Grant Funds for special projects in the City.

City of Santa Maria
COMBINING BALANCE SHEET
Non-major Governmental Funds
June 30, 2013

	Special Revenue Funds				
	Library	Traffic Safety	Drainage Districts	Land Acquisition Tax	Growth Mitigation
ASSETS					
Cash and investments	\$ 310,778		\$ 293,362	\$ 832,154	\$ 308,353
Cash with fiscal agent					
Accounts receivable	5,226			2,715	
Accrued revenue receivable		\$ 52,551	906		
Prepaid expenses	8,383				
Loans receivable					
Total assets	<u>\$ 324,387</u>	<u>\$ 52,551</u>	<u>\$ 294,268</u>	<u>\$ 834,869</u>	<u>\$ 308,353</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 12,096	\$ 1,955	\$ 13	\$ 5,094	
Due to other funds					\$ 1,700,000
Accrued payroll	9,445				
Loans payable					
Unearned revenue	1,200				
Total liabilities	<u>22,741</u>	<u>1,955</u>	<u>13</u>	<u>5,094</u>	<u>1,700,000</u>
Fund balances:					
Restricted:					
Road maintenance					
Community development					
Library	301,646				
Education					
Public safety		50,596			
Drainage			294,255		
Landscape maintenance					
Park acquisition				829,775	
Park development					
Debt service reserve					
Assigned to:					
Capital Projects					
Unassigned					(1,391,647)
Total fund balances	<u>301,646</u>	<u>50,596</u>	<u>294,255</u>	<u>829,775</u>	<u>(1,391,647)</u>
Total liabilities and fund balances	<u>\$ 324,387</u>	<u>\$ 52,551</u>	<u>\$ 294,268</u>	<u>\$ 834,869</u>	<u>\$ 308,353</u>

Special Revenue Funds					
Residential Development Tax	Landscape Maintenance	Stowell Parking and Lighting	Business Attraction Loan	Supplemental Law Enforcement Service Grant	Federal and State Asset Forfeiture
\$ 376,162	\$ 3,026,577	\$ 114,067	\$ 870,667	\$ 480,403	\$ 586,454
1,275	11,001	272	2,677	56,523	1,809
			461,183		
<u>\$ 377,437</u>	<u>\$ 3,037,578</u>	<u>\$ 114,339</u>	<u>\$ 1,334,527</u>	<u>\$ 536,926</u>	<u>\$ 588,263</u>
\$ 5,131	\$ 27,297	\$ 154,068	\$ 36	\$ 20	\$ 34,452
	3,521		461,183	256,096	
<u>5,131</u>	<u>30,818</u>	<u>154,068</u>	<u>461,219</u>	<u>256,116</u>	<u>34,452</u>
			873,308		
				280,810	553,811
372,306	3,006,760				
		(39,729)			
<u>372,306</u>	<u>3,006,760</u>	<u>(39,729)</u>	<u>873,308</u>	<u>280,810</u>	<u>553,811</u>
<u>\$ 377,437</u>	<u>\$ 3,037,578</u>	<u>\$ 114,339</u>	<u>\$ 1,334,527</u>	<u>\$ 536,926</u>	<u>\$ 588,263</u>

(continued)

City of Santa Maria
COMBINING BALANCE SHEET
Non-major Governmental Funds
June 30, 2013

	Special Revenue Funds				
	Gas Tax	Street Grant	Local Streets	Workforce Investment Act Grant	Public Access Television
ASSETS					
Cash and investments	\$ 3,312,565	\$ 156,120	\$ 2,394,734	\$ -	\$ 186,693
Cash with fiscal agent					
Accounts receivable	215,812	1,652,623	423,862		1,545
Accrued revenue receivable			10,066		
Prepaid expenses					
Loans receivable					
Total assets	<u>\$ 3,528,377</u>	<u>\$ 1,808,743</u>	<u>\$ 2,828,662</u>	<u>\$ -</u>	<u>\$ 188,238</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 492,007	\$ 740,650	\$ 160,780	\$ -	\$ 516
Due to other funds		1,500,000			
Accrued payroll			9,155		936
Loans payable					
Unearned revenue					
Total liabilities	<u>492,007</u>	<u>2,240,650</u>	<u>169,935</u>		<u>1,452</u>
Fund balances:					
Restricted for:					
Road maintenance	3,036,370		2,658,727		
Community development					
Library					
Education					186,786
Public safety					
Drainage					
Landscape maintenance					
Park acquisition					
Park development					
Debt service reserve					
Assigned to:					
Capital Projects					
Unassigned:		(431,907)			
Total fund balances	<u>3,036,370</u>	<u>(431,907)</u>	<u>2,658,727</u>		<u>186,786</u>
Total liabilities and fund balances	<u>\$ 3,528,377</u>	<u>\$ 1,808,743</u>	<u>\$ 2,828,662</u>	<u>\$ -</u>	<u>\$ 188,238</u>

Special Revenue Funds	
Grant (Non- recurring)	Total Special Revenue Funds
\$ 59,134	\$ 13,308,223
242,416	2,605,480
	75,799
	8,383
	461,183
<u>\$ 301,550</u>	<u>\$ 16,459,068</u>
\$ 1,550	\$ 1,635,665
300,000	3,500,000
	23,057
	718,479
<u>301,550</u>	<u>5,877,201</u>
	5,695,097
	873,308
	301,646
	186,786
	885,217
	294,255
	3,006,760
	829,775
	372,306
	(1,863,283)
	<u>10,581,867</u>
<u>\$ 301,550</u>	<u>\$ 16,459,068</u>

City of Santa Maria
COMBINING BALANCE SHEET
Non-major Governmental Funds
June 30, 2013

	Debt Service		Capital Projects	
	Public Financing Authority	City Debt Service	General Capital Projects	Community Development
ASSETS				
Cash and investments			\$ 11,444,474	\$ 300,836
Cash with fiscal agent	\$ 278,199	\$ 2,431,361		
Accounts receivable				209,443
Accrued revenue receivable			37,155	
Prepaid expenses				
Loans receivable				3,931,802
Total assets	\$ 278,199	\$ 2,431,361	\$ 11,481,629	\$ 4,442,081
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 498,026	\$ 77,658
Due to other funds				
Accrued payroll				
Loans payable			875,000	
Unearned revenue				3,931,802
Total liabilities			1,373,026	4,009,460
Fund balances:				
Restricted for:				
Road maintenance				
Community development				432,621
Library				
Education				
Public safety				
Drainage				
Landscape maintenance				
Park acquisition				
Park development				
Debt service reserve	278,199	2,431,361		
Assigned to:				
Capital Projects			10,108,603	
Unassigned:				
Total fund balances	278,199	2,431,361	10,108,603	432,621
Total liabilities and fund balances	\$ 278,199	\$ 2,431,361	\$ 11,481,629	\$ 4,442,081

<hr/> <hr/>	
	Total Nonmajor Governmental Funds
	<hr/>
\$	25,053,533
	2,709,560
	2,814,923
	112,954
	8,383
	<hr/> 4,392,985
\$	<hr/> <hr/> 35,092,338

\$	2,211,349
	3,500,000
	23,057
	875,000
	<hr/> 4,650,281
	<hr/> 11,259,687

	5,695,097
	1,305,929
	301,646
	186,786
	885,217
	294,255
	3,006,760
	829,775
	372,306
	2,709,560
	10,108,603
	<hr/> (1,863,283)
	<hr/> 23,832,651

\$	<hr/> <hr/> 35,092,338
	(concluded)

City of Santa Maria

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Non-major Governmental Funds

For the Fiscal Year Ended June 30, 2013

	Special Revenue Funds				
	Library	Traffic Safety	Drainage Districts	Land Acquisition Tax	Growth Mitigation
REVENUES:					
Taxes					
Permits, fines and forfeitures		\$ 285,785			
Revenues from use of money	\$ 24,685		\$ 2,639	\$ 9,854	\$ 102,119
Aid from governmental agencies	870,254				
Charges for current services	127,826			45,441	737,165
Other	6,593	10,297			
Total revenues	1,029,358	296,082	2,639	55,295	839,284
EXPENDITURES:					
Current:					
Community development					
Public safety		23,609			
Recreation and parks					
Public works					
Library	2,611,130				
Capital outlay				388,883	385,008
Debt service:					
Principal					
Interest and fiscal charges					15,150
Total expenditures	2,611,130	23,609		388,883	400,158
Excess (deficiency) of revenues over expenditures	(1,581,772)	272,473	2,639	(333,588)	439,126
Other financing sources (uses):					
Transfers in	1,438,660				
Transfers out		(281,581)			
Total other financing sources (uses)	1,438,660	(281,581)			
Net change in fund balances	(143,112)	(9,108)	2,639	(333,588)	439,126
FUND BALANCES:					
Beginning of fiscal year	444,758	59,704	291,616	1,163,363	(1,830,773)
End of fiscal year	\$ 301,646	\$ 50,596	\$ 294,255	\$ 829,775	\$ (1,391,647)

Special Revenue Funds					
Residential Development Tax	Landscape Maintenance	Stowell Parking and Lighting	Business Attraction Loan	Supplemental Law Enforcement Service Grant	Federal and State Asset Forfeiture
\$ 5,293					
52,103	\$ 27,209	\$ 736	\$ 15,651	\$ 3,691	\$ 5,204
	2,592,080	148		140,970	59,933
	800	49,827	31,250		
57,396	2,620,089	50,711	46,901	144,661	65,137
					78,444
263,781	2,728,623	17,736			
	417,528	155,831			
263,781	3,146,151	173,567			78,444
(206,385)	(526,062)	(122,856)	46,901	144,661	(13,307)
	650,710				
	(367,400)	(760)			
	283,310	(760)			
(206,385)	(242,752)	(123,616)	46,901	144,661	(13,307)
578,691	3,249,512	83,887	826,407	136,149	567,118
\$ 372,306	\$ 3,006,760	\$ (39,729)	\$ 873,308	\$ 280,810	\$ 553,811

(continued)

City of Santa Maria

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Non-major Governmental Funds (continued)

For the Fiscal Year Ended June 30, 2013

	Special Revenue Funds				
	Gas Tax	Street Grant	Local Streets	Workforce Investment Act Grant	Public Access Television
REVENUES:					
Taxes	\$ 2,278,320		\$ 4,540,816		
Permits, fines and forfeitures					
Revenues from use of money	27,167		28,886		\$ 1,239
Aid from governmental agencies		\$ 2,039,219			
Charges for current services			66,826		240,627
Other			221		250
Total revenues	2,305,487	2,039,219	4,636,749		242,116
EXPENDITURES:					
Current:					
Community development					219,668
Public safety					
Recreation and parks					
Public works			2,132,163		
Library					
Capital outlay	1,856,799	3,512,951	603,623		
Debt service:					
Principal					
Interest and fiscal charges					
Total expenditures	1,856,799	3,512,951	2,735,786		219,668
Excess (deficiency) of revenues over expenditures	448,688	(1,473,732)	1,900,963		22,448
Other financing sources (uses):					
Transfers in			230,975	\$ 11,267	
Transfers out	(667,810)		(1,169,470)		(11,140)
Total other financing sources (uses)	(667,810)		(938,495)	11,267	(11,140)
Net change in fund balances	(219,122)	(1,473,732)	962,468	11,267	11,308
FUND BALANCES:					
Beginning of fiscal year	3,255,492	1,041,825	1,696,259	(11,267)	175,478
End of fiscal year	\$ 3,036,370	\$ (431,907)	\$ 2,658,727	\$ -	\$ 186,786

Special Revenue Funds	
Grant (Non- recurring)	Total Special Revenue Funds
	\$ 6,824,429
	285,785
	301,183
\$ 259,756	3,370,280
	3,859,792
	49,411
<u>259,756</u>	<u>14,690,880</u>
239,814	459,482
	102,053
	2,992,404
	2,149,899
	2,611,130
19,942	7,340,565
	15,150
<u>259,756</u>	<u>15,670,683</u>
	(979,803)
	2,331,612
	(2,498,161)
	(166,549)
	(1,146,352)
	11,728,219
<u>\$ -</u>	<u>\$ 10,581,867</u>

City of Santa Maria

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Non-major Governmental Funds (continued)

For the Fiscal Year Ended June 30, 2013

	Debt Service		Capital Projects	
	Public Financing Authority	City Debt Service	General Capital Projects	Community Development
REVENUES:				
Taxes				
Permits, fines and forfeitures				
Revenues from use of money		\$ 93,644		\$ (795)
Aid from governmental agencies				1,609,476
Charges for current services			\$ 536,697	
Other				6,086
Total revenues		93,644	536,697	1,614,767
EXPENDITURES:				
Current:				
Community development				1,390,388
Public safety				
Recreation and parks				
Public works				
Library				
Capital outlay			3,583,400	
Debt service:				
Principal		2,325,000		
Interest and fiscal charges		355,575		
Total expenditures		2,680,575	3,583,400	1,390,388
Excess (deficiency) of revenues over expenditures		(2,586,931)	(3,046,703)	224,379
Other financing sources (uses):				
Transfers in		2,591,448	69,490	
Transfers out			(6,210)	(233,550)
Total other financing sources (uses)		2,591,448	63,280	(233,550)
Net change in fund balances		4,517	(2,983,423)	(9,171)
FUND BALANCES:				
Beginning of fiscal year	\$ 278,199	2,426,844	13,092,026	441,792
End of fiscal year	\$ 278,199	\$ 2,431,361	\$ 10,108,603	\$ 432,621

Total Non-major Governmental Funds	
\$	6,824,429
	285,785
	394,032
	4,979,756
	4,396,489
	55,497
	<u>16,935,988</u>
	1,849,870
	102,053
	2,992,404
	2,149,899
	2,611,130
	10,923,965
	2,325,000
	370,725
	<u>23,325,046</u>
	<u>(6,389,058)</u>
	4,992,550
	<u>(2,737,921)</u>
	<u>2,254,629</u>
	(4,134,429)
	<u>27,967,080</u>
\$	<u><u>23,832,651</u></u>

(concluded)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds

For the Fiscal Year Ended June 30, 2013

	Library		Variance Over (Under)
	Budget	Actual	
REVENUES:			
Taxes			
Permits, fines and forfeitures			
Revenues from use of money and property	\$ 26,520	\$ 24,685	\$ (1,835)
Aid from governmental agencies	859,850	870,254	10,404
Charges for current services	164,810	127,826	(36,984)
Other revenues	6,580	6,593	13
Total revenues	1,057,760	1,029,358	(28,402)
EXPENDITURES:			
Current:			
Community development			
Public safety			
Recreation and parks			
Public works			
Library	2,767,720	2,611,130	(156,590)
Capital outlay			
Debt service			
Interest and fiscal charges			
Total expenditures	2,767,720	2,611,130	(156,590)
Excess (deficiency) of revenues over expenditures	(1,709,960)	(1,581,772)	128,188
Other financing sources (uses):			
Transfers in	1,438,660	1,438,660	
Transfers out			
Total other financing sources (uses):	1,438,660	1,438,660	
Net change in fund balances	\$ (271,300)	(143,112)	\$ 128,188
FUND BALANCES:			
Beginning of fiscal year		444,758	
End of fiscal year		\$ 301,646	

Traffic Safety			Drainage Districts		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
\$ 372,250	\$ 285,785	\$ (86,465)	\$ 3,550	\$ 2,639	\$ (911)
	10,297	10,297			
<u>372,250</u>	<u>296,082</u>	<u>(76,168)</u>	<u>3,550</u>	<u>2,639</u>	<u>(911)</u>
25,250	23,609	(1,641)			
<u>25,250</u>	<u>23,609</u>	<u>(1,641)</u>			
<u>347,000</u>	<u>272,473</u>	<u>(74,527)</u>	<u>3,550</u>	<u>2,639</u>	<u>(911)</u>
<u>(313,500)</u>	<u>(281,581)</u>	<u>31,919</u>			
<u>(313,500)</u>	<u>(281,581)</u>	<u>31,919</u>			
<u>\$ 33,500</u>	<u>(9,108)</u>	<u>\$ (42,608)</u>	<u>\$ 3,550</u>	<u>2,639</u>	<u>\$ (911)</u>
	<u>59,704</u>			<u>291,616</u>	
	<u>\$ 50,596</u>			<u>\$ 294,255</u>	

(continued)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds, Continued

For the Fiscal Year Ended June 30, 2013

	Land Acquisition Tax		Variance Over (Under)
	Budget	Actual	
REVENUES:			
Taxes			
Permits, fines and forfeitures			
Revenues from use of money and property	\$ 10,000	\$ 9,854	\$ (146)
Aid from governmental agencies			
Charges for current services	130,000	45,441	(84,559)
Other revenues			
Total revenues	140,000	55,295	(84,705)
EXPENDITURES:			
Current:			
Community development			
Public safety			
Recreation and parks			
Public works			
Library			
Capital outlay	885,740	388,883	(496,857)
Debt service			
Interest and fiscal charges			
Total expenditures	885,740	388,883	(496,857)
Excess (deficiency) of revenues over expenditures	(745,740)	(333,588)	412,152
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses):			
Net change in fund balances	\$ (745,740)	(333,588)	\$ 412,152
FUND BALANCES:			
Beginning of fiscal year		1,163,363	
End of fiscal Year		\$ 829,775	

Growth Mitigation			Residential Development Tax		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
			\$ 130,000	\$ 5,293	\$ (124,707)
\$ 150,000	\$ 102,119	\$ (47,881)	1,000	52,103	51,103
1,082,260	737,165	(345,095)			
<u>1,232,260</u>	<u>839,284</u>	<u>(392,976)</u>	<u>131,000</u>	<u>57,396</u>	<u>(73,604)</u>
			493,890	263,781	(230,109)
6,113,850	385,008	(5,728,842)			
	15,150	15,150			
<u>6,113,850</u>	<u>400,158</u>	<u>(5,713,692)</u>	<u>493,890</u>	<u>263,781</u>	<u>(230,109)</u>
<u>(4,881,590)</u>	<u>439,126</u>	<u>5,320,716</u>	<u>(362,890)</u>	<u>(206,385)</u>	<u>156,505</u>
<u>\$ (4,881,590)</u>	<u>439,126</u>	<u>\$ 5,320,716</u>	<u>\$ (362,890)</u>	<u>(206,385)</u>	<u>\$ 156,505</u>
	<u>(1,830,773)</u>			<u>578,691</u>	
	<u>\$ (1,391,647)</u>			<u>\$ 372,306</u>	

(continued)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds, Continued

For the Fiscal Year Ended June 30, 2013

	Landscape Maintenance		
	Budget	Actual	Variance Over (Under)
REVENUES:			
Taxes			
Permits, fines and forfeitures			
Revenues from use of money and property	\$ 21,000	\$ 27,209	\$ 6,209
Aid from governmental agencies			
Charges for current services	2,559,900	2,592,080	32,180
Other revenues	5,000	800	(4,200)
	<u>2,585,900</u>	<u>2,620,089</u>	<u>34,189</u>
Total revenues			
EXPENDITURES:			
Current:			
Community development			
Public safety			
Recreation and parks	4,402,061	2,728,623	(1,673,438)
Public works			
Library			
Capital outlay	653,119	417,528	(235,591)
Debt service			
Interest and fiscal charges			
	<u>5,055,180</u>	<u>3,146,151</u>	<u>(1,909,029)</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(2,469,280)</u>	<u>(526,062)</u>	<u>1,943,218</u>
Other financing sources (uses):			
Transfers in	435,710	650,710	215,000
Transfers out	(360,559)	(367,400)	(6,841)
	<u>75,151</u>	<u>283,310</u>	<u>208,159</u>
Total other financing sources (uses):			
Net change in fund balances	<u>\$ (2,394,129)</u>	<u>(242,752)</u>	<u>\$ 2,151,377</u>
FUND BALANCES:			
Beginning of fiscal year		<u>3,249,512</u>	
End of fiscal year		<u>\$ 3,006,760</u>	

Stowell Parking and Lighting			Business Attraction Loan		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
\$ 250	\$ 736	\$ 486	\$ 30,870	\$ 15,651	\$ (15,219)
150	148	(2)			
47,720	49,827	2,107	74,940	31,250	(43,690)
48,120	50,711	2,591	105,810	46,901	(58,909)
17,040	17,736	696			
215,000	155,831	(59,169)			
1,600		(1,600)			
233,640	173,567	(60,073)			
(185,520)	(122,856)	62,664	105,810	46,901	(58,909)
215,000		(215,000)			
(760)	(760)				
214,240	(760)	(215,000)			
\$ 28,720	(123,616)	\$ (152,336)	\$ 105,810	46,901	\$ (58,909)
	83,887			826,407	
	\$ (39,729)			\$ 873,308	

(continued)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds, Continued

For the Fiscal Year Ended June 30, 2013

	Supplemental Law Enforcement Service Grant		
	Budget	Actual	Variance Over (Under)
REVENUES:			
Taxes			
Permits, fines and forfeitures			
Revenues from use of money and property	\$ 2,000	\$ 3,691	\$ 1,691
Aid from governmental agencies	60,000	140,970	80,970
Charges for current services			
Other revenues			
	<u>62,000</u>	<u>144,661</u>	<u>82,661</u>
Total revenues			
EXPENDITURES:			
Current:			
Community development			
Public safety			
Recreation and parks			
Public works			
Library			
Capital outlay			
Debt service			
Interest and fiscal charges			
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>62,000</u>	<u>144,661</u>	<u>82,661</u>
Other financing sources (uses):			
Transfers in			
Transfers out	(100,000)		100,000
Total other financing sources (uses):	<u>(100,000)</u>		<u>100,000</u>
Net change in fund balances	<u>\$ (38,000)</u>	144,661	<u>\$ 182,661</u>
FUND BALANCES:			
Beginning of fiscal year		<u>136,149</u>	
End of fiscal year		<u>\$ 280,810</u>	

Federal and State Asset Forfeiture			Gas Tax		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
			\$ 2,478,530	\$ 2,278,320	\$ (200,210)
\$ 3,500	\$ 5,204 59,933	\$ 1,704 59,933	40,000	27,167	(12,833)
3,500	65,137	61,637	2,518,530	2,305,487	(213,043)
	78,444	78,444			
			3,984,209	1,856,799	(2,127,410)
	78,444	78,444	3,984,209	1,856,799	(2,127,410)
3,500	(13,307)	(16,807)	(1,465,679)	448,688	1,914,367
			(657,810)	(667,810)	(10,000)
			(657,810)	(667,810)	(10,000)
\$ 3,500	(13,307)	\$ (16,807)	\$ (2,123,489)	(219,122)	\$ 1,904,367
	567,118			3,255,492	
	\$ 553,811			\$ 3,036,370	

(continued)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds, Continued

For the Fiscal Year Ended June 30, 2013

	Street Grant		Variance Over (Under)
	Budget	Actual	
REVENUES:			
Taxes			
Permits, fines and forfeitures			
Revenues from use of money and property			
Aid from governmental agencies	\$ 9,354,620	\$ 2,039,219	\$ (7,315,401)
Charges for current services			
Other revenues			
Total revenues	<u>9,354,620</u>	<u>2,039,219</u>	<u>(7,315,401)</u>
EXPENDITURES:			
Current:			
Community development			
Public safety			
Recreation and parks			
Public works			
Library			
Capital outlay	10,136,744	3,512,951	(6,623,793)
Debt service			
Interest and fiscal charges			
Total expenditures	<u>10,136,744</u>	<u>3,512,951</u>	<u>(6,623,793)</u>
Excess (deficiency) of revenues over expenditures	<u>(782,124)</u>	<u>(1,473,732)</u>	<u>(691,608)</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses):			
Net change in fund balances	<u>\$ (782,124)</u>	<u>(1,473,732)</u>	<u>\$ (691,608)</u>
FUND BALANCES:			
Beginning of fiscal year		<u>1,041,825</u>	
End of fiscal year		<u>\$ (431,907)</u>	

Local Streets			Workforce Investment Act Grant		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
\$ 4,213,830	\$ 4,540,816	\$ 326,986			
11,000	28,886	17,886			
66,450	66,826	376			
	221	221			
<u>4,291,280</u>	<u>4,636,749</u>	<u>345,469</u>			
2,676,690	2,132,163	(544,527)			
676,070	603,623	(72,447)			
<u>3,352,760</u>	<u>2,735,786</u>	<u>(616,974)</u>			
938,520	1,900,963	962,443			
210,000	230,975	20,975		\$ 11,267	\$ 11,267
(1,169,470)	(1,169,470)				
<u>(959,470)</u>	<u>(938,495)</u>	<u>20,975</u>		<u>11,267</u>	<u>11,267</u>
<u>\$ (20,950)</u>	962,468	<u>\$ 983,418</u>	<u>\$ -</u>	11,267	<u>\$ 11,267</u>
	1,696,259			(11,267)	
	<u>\$ 2,658,727</u>			<u>\$ -</u>	

(continued)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds, Continued

For the Fiscal Year Ended June 30, 2013

	Public Access Television		Variance Over (Under)
	Budget	Actual	
REVENUES:			
Taxes			
Permits, fines and forfeitures			
Revenues from use of money and property	\$ 1,200	\$ 1,239	\$ 39
Aid from governmental agencies			
Charges for current services	233,510	240,627	7,117
Other revenues	100	250	150
Total revenues	234,810	242,116	7,306
EXPENDITURES:			
Current:			
Community development	215,960	219,668	3,708
Public safety			
Recreation and parks			
Public works			
Library			
Capital outlay			
Debt service			
Interest and fiscal charges			
Total expenditures	215,960	219,668	3,708
Excess (deficiency) of revenues over expenditures	18,850	22,448	3,598
Other financing sources (uses):			
Transfers in			
Transfers out	(11,140)	(11,140)	
Total other financing sources (uses):	(11,140)	(11,140)	
Net change in fund balances	\$ 7,710	11,308	\$ 3,598
FUND BALANCES:			
Beginning of fiscal year		175,478	
End of fiscal year		\$ 186,786	

Grant (Non-recurring)		
Budget	Actual	Variance Over (Under)
\$ 100,000	\$ 259,756	\$ 159,756
100,000	259,756	159,756
486,709	239,814	(246,895)
125,834	19,942	(105,892)
612,543	259,756	(352,787)
(512,543)		512,543
\$ (512,543)		\$ 512,543
	\$ -	

(concluded)



INTERNAL SERVICE FUNDS

Fleet Service Fund - The Fleet Service Fund is used to fund the operation, maintenance, and timely replacement of the City's fleet of vehicles and related equipment.

Business Equipment Fund - The Business Equipment Fund is used to finance and account for the maintenance and replacement of business equipment used by City departments.

Insurance Fund - The Insurance Fund provides and charges other City funds for liability, property, and workers' compensation insurance.

City of Santa Maria

COMBINING STATEMENT OF NET POSITION

Internal Service Funds

June 30, 2013

ASSETS	Fleet Services	Business Equipment	Insurance	Total
Current:				
Cash and investments	\$ 8,755,888	\$ 3,685,493	\$ 14,263,694	\$ 26,705,075
Accounts receivable, net	21,166		93,931	115,097
Deposits			180,000	180,000
Prepaid expenses		70,060		70,060
Inventory	91,317			91,317
Due from other funds			3,500,000	3,500,000
Total current assets	<u>8,868,371</u>	<u>3,755,553</u>	<u>18,037,625</u>	<u>30,661,549</u>
Noncurrent assets:				
Restricted cash and investments	<u>4,646,690</u>			<u>4,646,690</u>
Total noncurrent assets	<u>4,646,690</u>			<u>4,646,690</u>
Capital assets:				
Construction in progress	585,954	25,576		611,530
Facilities	870,346			870,346
Equipment	21,075,598	8,516,187		29,591,785
Less: accumulated depreciation	<u>(14,673,118)</u>	<u>(6,127,583)</u>		<u>(20,800,701)</u>
Net capital assets	<u>7,858,780</u>	<u>2,414,180</u>		<u>10,272,960</u>
Total assets	<u>21,373,841</u>	<u>6,169,733</u>	<u>18,037,625</u>	<u>45,581,199</u>
LIABILITIES				
Current liabilities:				
Accounts payable	256,294	37,351	138,878	432,523
Wages payable	3,736		926	4,662
Debt due within one year	<u>626,488</u>		<u>3,014,878</u>	<u>3,641,366</u>
Total current liabilities	<u>886,518</u>	<u>37,351</u>	<u>3,154,682</u>	<u>4,078,551</u>
Noncurrent:				
Accrued compensated absences	8,351		4,491	12,842
OPEB liability	27,854		9,288	37,142
Lease payable	4,326,884			4,326,884
Claims payable			<u>7,817,274</u>	<u>7,817,274</u>
Total noncurrent liabilities	<u>4,363,089</u>		<u>7,831,053</u>	<u>12,194,142</u>
Total liabilities	<u>5,249,607</u>	<u>37,351</u>	<u>10,985,735</u>	<u>16,272,693</u>
NET POSITION				
Net investment in capital assets	2,953,780	2,414,180		5,367,960
Unrestricted	<u>13,170,454</u>	<u>3,718,202</u>	<u>7,051,890</u>	<u>23,940,546</u>
Total net position	<u>\$ 16,124,234</u>	<u>\$ 6,132,382</u>	<u>\$ 7,051,890</u>	<u>\$ 29,308,506</u>

City of Santa Maria

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Internal Service Funds

For the Fiscal Year Ended June 30, 2013

	Fleet Services	Business Equipment	Insurance	Total
OPERATING REVENUES:				
Charges for current services	\$ 5,506,688	\$ 1,673,524	\$ 2,701,213	\$ 9,881,425
Other revenue	193,058		33,124	226,182
Total operating revenues	5,699,746	1,673,524	2,734,337	10,107,607
OPERATING EXPENSES:				
Salaries, wages and benefits	661,486		173,963	835,449
Materials and supplies	1,303,863	117,691	4,197	1,425,751
Equipment maintenance and operation	663,762	363,964	1,577	1,029,303
Depreciation	2,827,619	1,148,562		3,976,181
Contracts and services	363,086		4,715,446	5,078,532
Capital outlay		19,556		19,556
Total operating expenses	5,819,816	1,649,773	4,895,183	12,364,772
OPERATING INCOME (LOSS)	(120,070)	23,751	(2,160,846)	(2,257,165)
NONOPERATING REVENUES (EXPENSES):				
Interest income			(23,224)	(23,224)
Other	88,756	52		88,808
Gain (loss) on sale of equipment	(28,424)	(36,835)		(65,259)
Total nonoperating revenues (expenses)	60,332	(36,783)	(23,224)	325
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS				
	(59,738)	(13,032)	(2,184,070)	(2,256,840)
Capital contributions	82,925	307,186		390,111
Transfers out	(118,260)	(10,590)	(103,150)	(232,000)
Change in net position	(95,073)	283,564	(2,287,220)	(2,098,729)
NET POSITION:				
Beginning of fiscal year	16,219,307	5,848,818	9,339,110	31,407,235
End of fiscal year	<u>\$ 16,124,234</u>	<u>\$ 6,132,382</u>	<u>\$ 7,051,890</u>	<u>\$ 29,308,506</u>

City of Santa Maria

COMBINING STATEMENT OF CASH FLOWS

Internal Service Funds

For the Fiscal Year Ended June 30, 2013

	Fleet Services	Business Equipment	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for current services	\$ 5,821,285	\$ 1,673,524	\$ 2,660,406	\$ 10,155,215
Payments for goods and services	(2,246,245)	(505,868)	(3,253,337)	(6,005,450)
Payments to employees	(693,109)		(166,733)	(859,842)
Net cash provided by (used for) operating activities	2,881,931	1,167,656	(759,664)	3,289,923
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers out other funds	(118,260)	(10,590)	(103,150)	(232,000)
Net cash provided by (used for) noncapital financing activities	(118,260)	(10,590)	(103,150)	(232,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(1,573,059)	(610,950)		(2,184,009)
Capital lease financing	4,905,000			4,905,000
Proceeds from sale of assets	88,756	(36,835)		51,921
Net cash provided by (used for) capital and related financing activities	3,420,697	(647,785)		2,772,912
CASH FLOW FROM INVESTING ACTIVITIES:				
Interest on investments			(23,224)	(23,224)
Net cash provided by (used for) investing activities			(23,224)	(23,224)
Net increase (decrease) in cash and cash equivalents	6,184,368	509,281	(886,038)	5,807,611
CASH AND CASH EQUIVALENTS:				
Beginning of fiscal year	7,218,210	3,176,212	15,149,732	25,544,154
End of fiscal year	\$ 13,402,578	\$ 3,685,493	\$ 14,263,694	\$ 31,351,765

(continued)

City of Santa Maria

COMBINING STATEMENT OF CASH FLOWS

Internal Service Funds, continued

For the Fiscal Year Ended June 30, 2013

	Fleet Services	Business Equipment	Insurance	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (120,070)	\$ 23,751	\$ (2,160,846)	\$ (2,257,165)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	2,827,619	1,148,562		3,976,181
Changes in assets and liabilities:				
Accounts receivable	121,539		(93,931)	27,608
Inventory	50,243			50,243
Prepaid expenses		(18,483)		(18,483)
Accounts payable	34,224	13,826	61,564	109,614
Accrued payroll	2,037		472	2,509
Due to other funds			20,000	20,000
Claims payable			1,406,319	1,406,319
OPEB liability	4,522		1,391	5,913
Compensated absences payable	(38,183)		5,367	(32,816)
Total adjustments	3,002,001	1,143,905	1,401,182	5,547,088
Net cash provided by (used for) operating activities	\$ 2,881,931	\$ 1,167,656	\$ (759,664)	\$ 3,289,923
NON CASH ACTIVITY:				
Contributed capital assets	\$ 82,925	\$ 307,186		\$ 390,111

(concluded)



FIDUCIARY FUNDS

Agency Funds:

Treasurer's Trust - The Treasurer's Trust fund accounts for the receipt and disposition of deposits held for others.

Maintenance Annuity Fund - The Maintenance Annuity Fund accounts for developer deposits earning interest income for the purpose of subsidizing property tax revenue on annexed property.

Twitchell Management Authority - The Twitchell Management Authority Fund accounts for the financial transactions of a court-mandated committee that monitors and manages the groundwater basin.



City of Santa Maria

STATEMENT OF ASSETS AND LIABILITIES

Agency Funds

June 30, 2013

Assets	<u>Treasurer's Trust</u>	<u>Maintenance Annuity Fund</u>	<u>Twitchell Mgmt Authority</u>	<u>Total Agency Funds</u>
Cash and investments	\$ 5,174,896	\$ 191,160	\$ 818,989	\$ 6,185,045
Accounts receivable	6,068		4,667	10,735
Total Assets	<u>\$ 5,180,964</u>	<u>\$ 191,160</u>	<u>\$ 823,656</u>	<u>\$ 6,195,780</u>
Liabilities				
Other trust deposits	<u>\$ 5,180,964</u>	<u>\$ 191,160</u>	<u>\$ 823,656</u>	<u>\$ 6,195,780</u>
Total Liabilities	<u>\$ 5,180,964</u>	<u>\$ 191,160</u>	<u>\$ 823,656</u>	<u>\$ 6,195,780</u>

City of Santa Maria

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Agency Funds

For the Fiscal Year Ended June 30, 2013

<u>Treasurer's Trust</u>	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Assets:				
Cash and investments	\$ 4,925,977	\$ 572,838	\$ 323,919	\$ 5,174,896
Accounts receivable		6,068		6,068
Total assets	<u>\$ 4,925,977</u>	<u>\$ 578,906</u>	<u>\$ 323,919</u>	<u>\$ 5,180,964</u>
Liabilities - trust deposits:				
Other trust deposits	\$ 4,925,977	\$ 578,906	\$ 323,919	\$ 5,180,964
Total liabilities - trust deposits	<u>\$ 4,925,977</u>	<u>\$ 578,906</u>	<u>\$ 323,919</u>	<u>\$ 5,180,964</u>
<u>Maintenance Annuity Fund</u>	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Assets:				
Cash and investments	\$ 191,160	\$ -	\$ -	\$ 191,160
Total assets	<u>\$ 191,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,160</u>
Liabilities - trust deposits:				
Other trust deposits	\$ 191,160	\$ -	\$ -	\$ 191,160
Total liabilities - trust deposits	<u>\$ 191,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,160</u>

<u>Twitchell Management Authority</u>	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Assets:				
Cash and investments	\$ 806,514	\$ 747,682	\$ 735,207	\$ 818,989
Accounts receivable	155,075	4,668	155,076	4,667
Total assets	<u>\$ 961,589</u>	<u>\$ 752,350</u>	<u>\$ 890,283</u>	<u>\$ 823,656</u>
Liabilities - trust deposits:				
Other trust deposits	\$ 961,589	\$ 752,350	\$ 890,283	\$ 823,656
Total liabilities - trust deposits	<u>\$ 961,589</u>	<u>\$ 752,350</u>	<u>\$ 890,283</u>	<u>\$ 823,656</u>
<u>Total Agency Funds</u>	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Assets:				
Cash and investments	\$ 5,923,651	\$ 1,320,520	\$ 1,059,126	\$ 6,185,045
Accounts receivable	155,075	10,736	155,076	10,735
Total assets	<u>\$ 6,078,726</u>	<u>\$ 1,331,256</u>	<u>\$ 1,214,202</u>	<u>\$ 6,195,780</u>
Liabilities - trust deposits:				
Other trust deposits	\$ 6,078,726	\$ 1,331,256	\$ 1,214,202	\$ 6,195,780
Total liabilities - trust deposits	<u>\$ 6,078,726</u>	<u>\$ 1,331,256</u>	<u>\$ 1,214,202</u>	<u>\$ 6,195,780</u>



City of Santa Maria

STATISTICAL NARRATIVE

For the Fiscal Year Ended June 30, 2013

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	S-2
Revenue Capacity	
These schedules contain information to help assess the government's most significant local revenue sources.	S-14
Debt Capacity	
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the City's ability to issue additional debt in the future.	S-22
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	S-30
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	S-37

SOURCES:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual reports for the relevant fiscal year.

City of Santa Maria

NET POSITION BY COMPONENT

Last Ten Fiscal Years

	2004	2005	2006	2007
Governmental activities:				
Net investment in capital assets	\$ 166,104,150	\$ 148,170,994	\$ 164,037,582	\$ 175,266,893
Restricted	33,989,896	54,128,546	57,270,454	59,165,908
Unrestricted	45,960,199	31,794,190	28,177,053	31,742,343
Total governmental activities net position	<u>246,054,245</u>	<u>234,093,730</u>	<u>249,485,089</u>	<u>266,175,144</u>
Business-type activities:				
Net investment in capital assets	35,265,605	34,172,030	36,417,715	39,926,984
Restricted			10,293,386	10,366,777
Unrestricted	74,616,875	81,399,676	90,024,778	94,072,663
Total business-type activities net position	<u>109,882,480</u>	<u>115,571,706</u>	<u>136,735,879</u>	<u>144,366,424</u>
Primary government:				
Net investment in capital assets	201,369,755	182,343,024	200,455,297	215,193,877
Restricted	33,989,896	54,128,546	67,563,840	69,532,685
Unrestricted	120,577,074	113,193,866	118,201,831	125,815,006
Total primary government net position	<u>\$ 355,936,725</u>	<u>\$ 349,665,436</u>	<u>\$ 386,220,968</u>	<u>\$ 410,541,568</u>

The City implemented GASB 54 in 2011 which effected the reporting of unrestricted and restricted reserves.

	2008	2009	2010	2011	2012	2013
\$	182,189,614	\$ 196,570,092	\$ 201,165,622	\$ 191,139,585	\$ 192,111,417	\$ 185,807,029
	63,741,146	53,394,252	21,374,294	14,242,819	16,580,945	19,980,316
	34,013,605	30,983,737	54,913,132	64,860,795	63,942,788	54,055,203
	<u>279,944,365</u>	<u>280,948,081</u>	<u>277,453,048</u>	<u>270,243,199</u>	<u>272,635,150</u>	<u>259,842,548</u>
	38,946,983	79,293,638	59,215,521	71,545,818	\$ 74,477,063	\$ 67,641,499
	10,425,720	10,156,406	9,649,160	9,656,112	9,438,575	9,436,292
	104,613,628	68,311,239	92,438,651	90,913,322	91,124,060	96,775,370
	<u>153,986,331</u>	<u>157,761,283</u>	<u>161,303,332</u>	<u>172,115,252</u>	<u>175,039,698</u>	<u>173,853,161</u>
	221,136,597	275,863,730	260,381,143	262,685,403	266,588,480	253,448,528
	74,166,866	63,550,658	31,023,454	23,898,931	26,019,520	29,416,608
	138,627,233	99,294,976	147,351,783	155,774,117	155,066,848	150,830,573
\$	<u>433,930,696</u>	<u>\$ 438,709,364</u>	<u>\$ 438,756,380</u>	<u>\$ 442,358,451</u>	<u>\$ 447,674,848</u>	<u>\$ 433,695,709</u>

City of Santa Maria
CHANGES IN NET POSITION
Last Ten Fiscal Years

	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government	\$ 6,381,187	\$ 7,167,095	\$ 10,838,467	\$ 7,766,992
Public safety	17,128,740	23,820,953	26,861,561	27,153,605
Public works	15,022,719	17,847,164	23,247,129	23,509,786
Library	1,356,390	2,823,034	(2,540,803)	3,148,153
Community development	2,230,758	2,773,784	5,354,419	4,178,098
Recreation and parks	10,229,711	8,915,152	7,732,441	8,748,523
Interest & fiscal charges	2,251,095	1,155,240	1,012,761	1,172,202
Total governmental activities expenses	54,600,600	64,502,422	72,505,975	75,677,359
Business-type activities:				
Water and wastewater	24,424,189	25,846,300	25,396,688	30,606,551
Solid Waste	14,108,035	17,632,587	14,719,075	14,851,056
Public transit	2,909,670	3,036,658	4,010,199	4,439,395
Total business-type activities expenses	41,441,894	46,515,545	44,125,962	49,897,002
Total primary government expenses	96,042,494	111,017,967	116,631,937	125,574,361
Program Revenues				
Governmental activities:				
Charges for services:				
General government	7,354,336	8,623,290	7,373,878	7,961,580
Public safety	2,485,278	1,993,990	2,360,254	2,812,013
Public works	5,049,735	4,591,386	5,912,584	4,260,310
Library	1,433,635	1,898,624	484,672	363,131
Community development	6,069,546	1,138,034	598,555	775,939
Recreation and parks	3,419,914	1,589,646	1,559,721	1,275,582
Operating grants and contributions	3,624,524	9,779,756	13,583,260	16,600,659
Capital grants and contributions	5,280,680	6,162,270	10,656,453	8,506,395
Total governmental activities revenues	34,717,648	35,776,996	42,529,377	42,555,609
Business-type activities:				
Charges for services:				
Water and wastewater	25,614,811	27,088,908	29,136,959	31,709,915
Solid waste	15,179,091	17,344,393	16,610,624	16,882,214
Public transit	220,635	400,279	1,513,204	777,109
Operating grants and contributions	1,468,127	530,849		
Capital grants and contributions	5,220,037	4,648,308	2,785,136	3,235,816
Total business-type activities program revenues	47,702,701	50,012,737	50,045,923	52,605,054
Total primary government program revenues	82,420,349	85,789,733	92,575,300	95,160,663

	2008	2009	2010	2011	2012	2013
\$	9,114,122	\$ 11,161,958	\$ 9,018,262	\$ 8,230,946	\$ 7,603,331	\$ 7,818,914
	29,959,234	31,138,825	29,583,710	29,278,112	29,073,153	31,939,863
	19,871,330	12,464,751	19,850,452	13,518,414	14,991,119	15,698,704
	1,179,798	4,255,495	3,778,788	3,497,409	3,220,926	3,796,528
	5,580,313	3,934,760	4,872,301	4,703,671	5,386,829	5,304,543
	11,814,315	13,764,775	11,549,567	11,932,463	11,028,926	13,350,009
	592,818	778,946	722,568	521,500	481,130	301,150
	<u>78,111,930</u>	<u>77,499,510</u>	<u>79,375,648</u>	<u>71,682,515</u>	<u>71,785,414</u>	<u>78,209,711</u>
	31,394,738	34,782,630	32,761,079	34,916,887	33,459,891	34,657,330
	15,828,140	18,013,667	18,260,204	18,093,584	17,421,849	19,745,844
	4,952,170	5,331,516	5,345,420	6,833,916	7,858,226	7,450,124
	<u>52,175,048</u>	<u>58,127,813</u>	<u>56,366,703</u>	<u>59,844,387</u>	<u>58,739,966</u>	<u>61,853,298</u>
	<u>130,286,978</u>	<u>135,627,323</u>	<u>135,742,351</u>	<u>131,526,902</u>	<u>130,525,380</u>	<u>140,063,009</u>
	8,548,672	7,863,933	4,948,795	2,691,168	2,849,587	2,565,366
	2,726,261	2,896,162	1,771,559	1,372,576	1,710,795	1,156,798
	3,588,859	3,014,599	2,609,280	4,052,970	3,265,217	2,421,122
	648,651	491,201	158,627	215,408	210,463	162,508
	533,133	302,321	282,506	1,148,105	819,711	1,348,188
	1,395,784	1,009,008	3,344,401	3,864,146	3,877,914	3,755,716
	18,423,969	12,602,578	2,964,267	2,247,363	2,201,503	2,788,068
	4,965,521	2,650,002	11,327,388	7,654,140	9,323,585	4,527,165
	<u>40,830,850</u>	<u>30,829,804</u>	<u>27,406,823</u>	<u>23,245,876</u>	<u>24,258,775</u>	<u>18,724,931</u>
	31,664,089	33,139,664	31,865,644	33,999,060	36,086,815	38,166,683
	17,018,873	16,796,317	16,674,004	16,751,192	17,124,050	18,480,130
	5,519,825	1,658,181	976,448	1,916,361	1,956,833	1,260,409
			3,870,297	4,474,802	5,834,863	4,377,283
	3,926,821	8,061,279	4,675,288	5,710,300	1,381,705	178,195
	<u>58,129,608</u>	<u>59,655,441</u>	<u>58,061,681</u>	<u>62,851,715</u>	<u>62,384,266</u>	<u>62,462,700</u>
	<u>98,960,458</u>	<u>90,485,245</u>	<u>85,468,504</u>	<u>86,097,591</u>	<u>86,643,041</u>	<u>81,187,631</u>

Continued

City of Santa Maria

CHANGES IN NET POSITION, Continued

Last Ten Fiscal Years

	2004	2005	2006	2007
Net (expense)/revenue				
Governmental activities	(19,882,952)	(28,725,426)	(29,976,598)	(33,121,750)
Business-type activities	6,260,807	3,497,192	5,919,961	2,708,052
Total primary government net expense	<u>(13,622,145)</u>	<u>(25,228,234)</u>	<u>(24,056,637)</u>	<u>(30,413,698)</u>
General revenues and other changes in net position				
Governmental Activities:				
Taxes				
Property taxes	5,945,044	5,939,368	7,307,768	9,067,171
Sales taxes	19,468,534	17,025,452	16,439,093	17,672,381
Franchise taxes	3,118,187	3,241,690	3,341,810	3,443,105
Transient occupancy taxes	2,044,413	2,237,880	2,220,887	2,373,910
Other taxes	3,356,933	3,016,500	3,227,354	3,099,677
Motor vehicle in-lieu tax	3,759,879	6,495,388	6,574,470	6,937,373
Use of money and property	1,790,385	3,260,601	3,240,223	5,805,704
Other revenues	3,942,501	406,890	233,078	429,121
Loss on sale of assets				
Intergovernmental revenues - unrestricted	421,016	329,709	503,668	512,842
Extraordinary items	3,189,390			
Contributions				
Transfers	(702,980)	729,160	2,294,130	872,510
Total governmental activities	<u>46,333,302</u>	<u>42,682,638</u>	<u>45,382,481</u>	<u>50,213,794</u>
Business-type activities:				
Use of money and property	1,783,060	2,679,472	2,251,316	5,481,556
Other revenues	119,378			
Loss on sale of assets				
Contributions				
Transfers	702,980	(729,160)	(2,294,130)	(872,510)
Total business-type activities	<u>2,605,418</u>	<u>1,950,312</u>	<u>(42,814)</u>	<u>4,609,046</u>
Total primary activities	<u>48,938,720</u>	<u>44,632,950</u>	<u>45,339,667</u>	<u>54,822,840</u>
Change in net position				
Governmental activities	26,450,350	13,957,212	15,405,883	17,092,044
Business-type activities	8,866,225	5,447,504	5,877,147	7,317,098
Total primary government	<u>\$ 35,316,575</u>	<u>\$ 19,404,716</u>	<u>\$ 21,283,030</u>	<u>\$ 24,409,142</u>

1) Beginning in 2010, property tax in-lieu of VLF was included in property tax.

2008	2009	2010	2011	2012	2013
(37,281,080)	(46,669,706)	(51,968,825)	(48,436,639)	(47,526,639)	(59,484,780)
5,954,560	1,527,628	1,694,978	3,007,328	3,644,300	609,402
(31,326,520)	(45,142,078)	(50,273,847)	(45,429,311)	(43,882,339)	(58,875,378)
9,749,641	9,336,050	15,338,302	15,357,803	14,926,979	14,488,973
18,060,497	15,906,435	19,621,992	21,711,665	23,644,020	27,606,191
3,600,993	3,427,069	3,366,190	3,578,754	3,787,686	3,849,977
2,393,491	2,201,546	2,116,310	2,363,467	2,440,980	2,532,032
3,469,254	3,282,414	527,518	733,034	668,699	501,109
7,291,040	7,136,333	302,938	431,934	49,503	
4,927,456	4,602,199	4,498,446	2,439,648	2,210,175	1,365,203
234,577	340,869	682,132	405,292	519,746	316,525
447,845	531,217	474,600	511,728	392,473	358,863
				(516,788)	
872,510	1,237,482	1,615,511	(7,046,991)	1,570,117	1,245,547
51,047,304	48,001,614	48,543,939	40,486,334	49,693,590	52,264,420
4,428,857	3,484,806	3,462,582	1,340,213	1,075,263	823,322
(872,510)	(1,237,482)	(1,615,511)	7,046,991	(1,570,117)	(1,245,547)
3,556,347	2,247,324	1,847,071	8,387,204	(494,854)	(422,225)
54,603,651	50,248,938	50,391,010	48,873,538	49,198,736	51,842,195
13,766,224	1,331,908	(3,424,886)	(7,950,305)	2,166,951	(7,220,360)
9,510,907	3,774,952	3,542,049	11,394,532	3,149,446	187,177
\$ 23,277,131	\$ 5,106,860	\$ 117,163	\$ 3,444,227	\$ 5,316,397	\$ (7,033,183)

Concluded

City of Santa Maria

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

Last Ten Fiscal Years

FY Ended June 30	+Property Tax	*Property Tax In-lieu of VLF	#General Fund Sales Tax	Other Sales Tax	Franchise Tax
2004	\$ 5,920,003		\$ 15,866,944	\$ 6,408,715	\$ 3,118,187
2005	5,919,017	\$ 4,545,987	16,445,600	7,068,191	3,241,690
2006	7,307,769	5,959,787	17,018,945	8,633,632	3,341,810
2007	9,067,171	6,448,316	17,672,311	8,514,985	3,443,105
2008	9,749,641	6,889,596	18,060,497	7,627,249	3,600,994
2009	9,336,050	6,791,613	15,906,434	6,196,508	3,427,070
2010	8,859,906	6,422,352	14,146,555	5,591,211	3,366,190
2011	8,983,688	6,374,115	15,703,090	6,008,575	3,578,754
2012	8,496,284	6,430,695	16,766,934	6,877,086	3,787,686
2013	8,007,518	6,481,455	20,787,054	6,819,137	3,849,977

NOTE:

Includes all governmental fund types.

SOURCE:

+Santa Barbara County

*California Franchise Tax Board; VLF Program Commenced in 2005

#California State Board of Equalization

	TOT		Other		Total
	Tax		Tax		
\$	2,044,413	\$	2,154,384	\$	35,512,646
	2,237,880		1,689,063		41,147,428
	2,220,887		1,497,842		45,980,672
	2,373,910		1,125,239		48,645,037
	2,396,491		1,082,894		49,407,362
	2,201,546		711,643		44,570,864
	2,116,310		527,518		41,030,042
	2,363,467		733,034		43,744,723
	2,440,980		668,699		45,468,364
	2,532,032		501,109		48,978,282

City of Santa Maria

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	2004	2005	2006	2007
General fund				
Reserved	\$ 13,327,903	\$ 13,871,989	\$ 14,095,037	\$ 13,881,493
Unreserved	20,823,802	23,137,842	29,436,230	36,145,698
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total general fund	<u>34,151,705</u>	<u>37,009,831</u>	<u>43,531,267</u>	<u>50,027,191</u>
All other governmental funds				
Reserved	5,869,697	10,813,767	8,063,857	13,542,452
Unreserved, reported in:				
Special revenue funds	20,312,760	14,001,624	15,035,784	5,337,762
Capital projects funds	13,432,832	17,400,697	14,525,718	17,065,112
Debt service funds	(13,176,966)	(13,298,820)	(13,427,071)	(13,560,955)
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total all other governmental funds	<u>\$ 26,438,323</u>	<u>\$ 28,917,268</u>	<u>\$ 24,198,288</u>	<u>\$ 22,384,371</u>

*Beginning fiscal year 2010-11, a format change is necessary for GASB Statement Number 54 reporting.

	2008	2009	2010	*2011	2012	2013
\$	13,994,214	\$ 14,171,769	\$ 15,125,183			
	36,840,884	39,389,382	39,530,536			
				\$ 14,048,953		
				19,800,000	\$ 19,800,000	\$ 19,800,000
				6,909,711	6,909,711	6,248,027
				14,045,532	14,039,407	10,588,037
	<u>50,835,098</u>	<u>53,561,151</u>	<u>54,655,719</u>	<u>54,804,196</u>	<u>40,749,118</u>	<u>36,636,064</u>
	6,970,228	4,082,015	2,704,278			
	13,079,640	11,036,074	4,325,076			
	20,320,812	12,541,368	12,722,097			
	(13,692,783)	(13,815,810)	(13,932,228)			
				14,242,819	16,580,944	15,587,331
				12,652,876	13,092,026	10,108,603
				(16,871,539)	(1,705,890)	(1,863,283)
\$	<u>26,677,897</u>	<u>\$ 13,843,647</u>	<u>\$ 5,819,223</u>	<u>\$ 10,024,156</u>	<u>\$ 27,967,080</u>	<u>\$ 23,832,651</u>

City of Santa Maria

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS Last Ten Fiscal Years

	2004	2005	2006	2007
Revenues				
Taxes	\$ 36,458,445	\$ 37,889,066	\$ 41,061,576	\$ 44,102,953
Permits, fines, and forfeitures	2,652,735	2,048,222	2,864,723	3,020,855
Revenues from use of money and property	1,682,269	3,017,322	3,129,821	5,704,531
Aid from governmental agencies	9,408,840	11,186,274	14,032,852	17,307,547
Charges for current services	17,996,838	16,845,337	12,852,201	13,441,085
Other revenues	5,603,114	1,433,403	3,372,544	1,470,302
Total revenues	<u>73,802,241</u>	<u>72,419,624</u>	<u>77,313,717</u>	<u>85,047,273</u>
Expenditures				
Current:				
General government	5,160,333	5,780,061	6,653,079	7,199,453
Community development	3,031,443	2,728,003	4,459,988	4,158,854
Public safety	20,585,834	23,129,448	25,598,091	26,697,389
Recreation and parks	7,582,288	7,935,893	8,395,466	8,727,125
Public works	4,539,747	4,131,676	4,957,342	4,755,772
Library	1,616,811	1,795,536	1,925,776	2,062,596
Non-departmental				
Capital outlay	15,006,580	16,471,985	22,672,713	24,282,030
Debt service:				
Principal	1,891,479	5,697,256	2,051,788	1,755,000
Interest and fiscal charges	1,453,901	1,126,023	1,043,148	1,356,691
Total expenditures	<u>60,868,416</u>	<u>68,795,881</u>	<u>77,757,391</u>	<u>80,994,910</u>
Excess of revenues				
over (under) expenditures	<u>12,933,825</u>	<u>3,623,743</u>	<u>(443,674)</u>	<u>4,052,363</u>
Other financing sources (uses)				
Transfers in	12,859,509	24,949,992	11,397,212	12,660,010
Transfers out	(15,671,429)	(24,595,832)	(9,103,082)	(11,787,500)
Total other financing sources (uses)	<u>(2,811,920)</u>	<u>354,160</u>	<u>2,294,130</u>	<u>872,510</u>
Extraordinary Gain (Loss)				
Net change in fund balances	<u>\$ 10,121,905</u>	<u>\$ 3,977,903</u>	<u>\$ 1,850,456</u>	<u>\$ 4,924,873</u>
Debt service as a percentage of				
non-capital expenditures	6.81%	11.66%	5.44%	4.80%

	2008	2009	2010	2011	2012	2013
\$	44,836,981	\$ 40,286,816	\$ 41,030,042	\$ 43,744,723	\$ 45,468,364	\$ 48,978,282
	2,258,146	1,964,835	2,032,625	1,368,214	1,103,627	1,467,439
	4,692,725	3,623,715	3,657,552	2,530,588	2,193,493	1,382,622
	20,719,295	15,426,843	15,424,318	9,690,422	11,020,727	6,623,511
	14,003,746	12,929,787	10,769,671	12,175,204	12,561,301	9,719,735
	1,106,376	871,480	1,125,411	334,376	527,117	1,347,451
	87,617,269	75,103,476	74,039,619	69,843,527	72,874,629	69,519,040
	7,766,778	8,262,292	7,067,465	7,182,507	7,206,265	6,970,704
	4,756,217	3,911,112	4,872,363	4,650,157	4,520,096	4,399,670
	29,388,999	29,289,806	28,553,613	27,848,391	28,465,201	30,375,414
	9,731,596	10,269,522	9,982,054	9,757,902	9,661,463	10,740,875
	4,980,324	5,056,695	5,227,336	5,001,666	4,811,965	4,403,858
	2,217,526	3,019,728	3,121,202	2,698,807	2,425,505	2,632,917
	21,801,353	24,615,828	22,830,682	7,906,083	11,379,276	11,367,748
	1,830,000	1,920,000	2,010,000	2,110,000	2,215,000	2,325,000
	915,550	870,895	790,277	589,810	550,064	370,725
	83,388,343	87,215,878	84,454,992	67,745,323	71,234,835	79,159,153
	4,228,926	(12,112,402)	(10,415,373)	2,098,204	1,639,794	(9,640,113)
	14,946,392	11,491,823	12,018,459	9,383,087	10,465,679	9,143,011
	(14,073,882)	(9,159,426)	(8,462,795)	(8,018,247)	(7,700,839)	(7,750,381)
	872,510	2,332,397	3,555,664	1,364,840	2,764,840	1,392,630
					(516,788)	
\$	5,101,436	\$ (9,780,005)	\$ (6,859,709)	\$ 3,463,044	\$ 3,887,846	\$ (8,247,483)
	3.93%	4.26%	3.30%	3.99%	4.49%	4.0%

City of Santa Maria

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

FY Ended					Personal	Gross
June 30		Land		Improvements	Property	Value
2004	\$	1,505,499,138	\$	2,568,979,473	\$ 288,456,341	4,362,934,952
2005		1,742,052,139		2,919,197,802	310,338,288	4,971,588,229
2006		2,134,358,374		3,331,952,571	348,701,433	5,815,012,378
2007		2,532,797,174		3,736,636,782	349,941,019	6,619,374,975
2008		2,779,359,925		3,929,898,972	359,102,179	7,068,361,076
2009		2,688,233,211		3,897,913,199	374,342,508	6,960,488,918
2010		2,525,129,754		3,749,048,530	403,055,878	6,677,234,162
2011		2,473,964,135		3,808,611,113	391,104,570	6,673,679,818
2012		2,480,988,107		3,974,603,905	410,707,524	6,866,299,536
2013		2,462,825,119		4,246,221,505	427,764,193	7,136,810,817

NOTE:

Valuations are established by the County Assessor of Santa Barbara County, except for property owned by private utility companies, which is valued by the State of California.

For comparison purposes, gross assessed valuations include homeowners and other exemptions. Although these exemptions reduce property tax collections, the revenue loss is reimbursed by the State of California. As such, gross assessed valuation is the revenue base used in establishing property-tax related revenues.

SOURCE:

Santa Barbara County Auditor - Controller

Exemptions	Net Taxable Value	Assessed to Property Value
\$ 235,303,640	\$ 4,127,631,312	100.0%
266,011,261	4,705,576,968	100.0%
287,071,107	5,527,941,271	100.0%
304,933,916	6,314,441,059	100.0%
313,273,773	6,755,087,303	100.0%
305,957,101	6,654,531,817	100.0%
347,561,243	6,329,672,919	100.0%
388,166,023	6,285,513,795	100.0%
522,499,674	6,343,799,862	100.0%
735,584,538	6,401,226,279	100.0%

Santa Maria



City of Santa Maria

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

As of June 30, 2013

Fiscal Year	*City of Santa Maria	*Santa Barbara County	Schools	Other	Total
2004	0.00000%	1.00000%	0.02059%	0.01210%	1.03269%
2005	0.00000%	1.00000%	0.01923%	0.00000%	1.01923%
2006	0.00000%	1.00000%	0.01815%	0.00000%	1.01815%
2007	0.00000%	1.00000%	0.01548%	0.00000%	1.01548%
2008	0.00000%	1.00000%	0.18603%	0.00000%	1.18603%
2009	0.00000%	1.00000%	0.17497%	0.00000%	1.17497%
2010	0.00000%	1.00000%	0.38552%	0.00000%	1.38552%
2011	0.00000%	1.00000%	0.42302%	0.00000%	1.42302%
2012	0.00000%	1.00000%	0.43729%	0.00000%	1.43729%
2013	0.00000%	1.00000%	0.90446%	0.00000%	1.90446%

*Valuations are established by the County Assessor of Santa Barbara County, except for property owned by private utility companies, which is valued by the State of California. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100 percent of full value and subsequently increase at a maximum rate of 2 percent per year. Santa Barbara County collects property taxes and distributes the appropriate amount to each city. Each \$1.00 of property tax is distributed to local government agencies based upon fixed allocation factors.

SOURCE:

California Municipal Statistics, Inc.

City of Santa Maria

PRINCIPAL PROPERTY TAXPAYERS

Current Fiscal Year and the Prior Tenth Fiscal Year

2013			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Windset Farms California, Inc.	\$ 94,357,192	1	1.47%
Okonite Company, Inc.	85,526,905	2	1.34%
MGP 50, LLC	43,974,712	3	0.69%
Santa Maria Land Partners, LLC	43,290,001	4	0.68%
Santa Maria Partners, LLC	32,132,269	5	0.50%
Pini, Dario L	29,254,763	6	0.46%
Country Oaks, LLC	26,100,000	7	0.41%
UAI Real Estate Acquisition, LLC	20,785,752	8	0.32%
Lyon Santa Maria, LLC	19,104,449	9	0.30%
Broadway Pavilion, LLC	18,374,600	10	0.29%
Santa Maria Town Center, LLC			
Betteravia Farms, LLC			
Dayton Hudson Corporation			
HD Development of Maryland, Inc			
Wal Mart Real Estate Business Trust			
Santa Maria Redevelopment Agency			
Levon Investment, LLC			
Sears Roebuck & Company			
Fugate Family Limited Partnership			
	\$ 412,900,643		6.46%

SOURCE:

Santa Barbara County Auditor-Controller

2004

Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
\$ 27,909,078	2	0.68%
31,473,000	1	0.76%
17,703,279	3	0.43%
11,877,297	4	0.29%
11,377,107	5	0.28%
11,031,983	6	0.27%
8,806,071	7	0.21%
6,223,927	8	0.15%
5,946,967	9	0.14%
5,368,845	10	0.13%
<hr/> \$ 137,717,554 <hr/>		<hr/> 3.34% <hr/>

City of Santa Maria

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

FY Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2004	\$ 5,715,906	\$ 5,715,906	100%	
2005	6,349,144	6,349,144	100%	
2006	6,485,547	6,485,547	100%	
2007	7,501,048	7,501,048	100%	
2008	8,170,585	8,170,585	100%	
2009	8,102,791	8,102,791	100%	
2010	7,650,506	7,650,506	100%	
2011	7,516,780	7,516,780	100%	
2012	7,596,097	7,596,097	100%	
2013	7,645,901	7,645,901	100%	

NOTE:

The City participates in the Santa Barbara County "Teeter Plan". The City is paid the full tax assessment while penalties and interest of any late payments are returned by the County.

SOURCE:

HdL, Coren and Cone - From 2012-13 Preliminary Prop Tax Report (located in vault under CAFR Binders)

Total Collections to Date		
	Amount	Percentage of Levy
\$	5,715,906	100%
	6,349,144	100%
	6,485,547	100%
	7,501,048	100%
	8,170,585	100%
	8,102,791	100%
	7,650,506	100%
	7,516,780	100%
	7,596,097	100%
	7,645,901	100%

City of Santa Maria

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

FY Ended June 30	Governmental Activities			
	Refunding Revenue Bonds	Certificates of Participation	Capital Leases	Property Purchase Obligation
2004	\$ 22,140,000	\$ 3,464,747	\$ 3,747,075	\$ 658,825
2005	20,520,000		1,730,758	641,479
2006	18,840,000		1,122,523	623,612
2007	17,085,000		488,322	847,208
2008	15,255,000		249,485	586,252
2009	13,335,000			566,727
2010	11,325,000			546,616
2011	9,215,000			525,900
2012	7,000,000			504,563
2013	4,675,000		2,452,500	482,585

**Personal Income released through 2010 via the Bureau of Economic Analysis

Business-Type Activities					
Refunding Revenue Bonds	Certificates of Participation	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
	\$ 53,410,195	\$ 1,603,843	\$ 85,024,685	17.05%	996
	53,410,195	2,124,524	78,426,956	19.56%	883
	53,292,039	1,597,780	75,475,954	20.33%	837
	52,728,238	618,167	71,766,935	26.50%	794
	51,718,798	315,824	68,125,359	28.98%	754
	50,640,095		64,541,822	29.40%	697
	48,785,007		60,656,623	31.25%	651
	46,748,931		56,489,831	**33.55%	565
\$ 50,119,493	6,437,099		64,061,155	**29.08%	639
50,119,493	5,826,602	2,452,500	66,008,680	**29.08%	658

City of Santa Maria

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

FY Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percent of Estimated Taxable Property Value	Per Capita
2004	\$ 22,140,000	\$ 2,786,175	\$ 19,353,825	0.47%	\$ 227
2005	20,520,000	2,789,000	17,731,000	0.38%	200
2006	18,840,000	2,766,658	16,073,342	0.29%	178
2007	17,085,000	2,383,266	14,701,734	0.23%	163
2008	15,255,000	2,403,435	12,851,565	0.19%	142
2009	13,335,000	2,424,574	10,910,426	0.16%	118
2010	11,325,000	2,426,079	8,898,921	0.14%	95
2011	9,215,000	2,430,118	6,784,882	0.11%	68
2012	7,000,000	2,426,844	4,573,156	0.07%	46
2013	4,675,000	2,431,361	2,243,639	0.04%	22

Source: City of Santa Maria
Santa Barbara County

City of Santa Maria

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2013

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Santa Barbara County General Fund Obligations	\$ 70,450,000	10.350%	\$ 7,291,575
Santa Maria-Bonita School District COP	45,323,712	93.754%	42,492,793
Santa Maria Cemetery District COP	915,000	63.822%	583,971
Subtotal, overlapping debt			50,368,339
City of Santa Maria, direct debt			4,675,000
Total direct and overlapping debt			\$ 55,043,339

Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

Source:
California Municipal Statistics, Inc.

City of Santa Maria

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	2004	2005	2006	2007
Debt Limit	\$ 163,610,061	\$ 186,436,434	\$ 218,062,964	\$ 248,226,562
Total net debt applicable to limit	29,468,019	23,415,799	21,062,100	18,848,900
Legal Debt Margin	<u>\$ 134,142,042</u>	<u>\$ 163,020,635</u>	<u>\$ 197,000,864</u>	<u>\$ 229,377,662</u>
Total net debt applicable to the limit as a percentage of debt limit	18.01%	12.56%	9.66%	7.59%

Legal Debt Margin Calculation for 2012-13:

Assessed value

Debt limit (3.75 percent of assessed value

Revenue bonds and other long-term debt

Legal debt margin

	2008	2009	2010	2011	2012	2013
\$	265,063,540	\$ 261,018,334	\$ 250,396,281	\$ 250,262,993	\$ 257,486,233	\$ 267,630,406
	16,471,510	14,234,903	12,157,195	9,978,883	7,694,949	7,610,085
\$	248,592,030	\$ 246,783,431	\$ 238,239,086	\$ 240,284,110	\$ 249,791,284	\$ 260,020,321

6.21%	5.45%	4.86%	3.99%	2.99%	2.84%
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\$	7,136,810,817
	267,630,406
	7,610,085
\$	<u>260,020,321</u>

City of Santa Maria

PLEGGED-REVENUE COVERAGE

Last Ten Fiscal Years

Water & Wastewater Certificates of Participation						
FY Ended June 30	Water & WW Operating Revenue	Less: Operating Expenses	Transfer (to) from Rate Stabilization	Net Available Revenue	Debt Service	
					Principal	Interest
2004	\$ 26,167,639	\$ 19,431,475		\$ 6,736,164		
2005	30,794,371	21,460,431		9,333,940		\$ 1,001,914
2006	30,043,493	19,332,826		10,710,667	\$ 118,156	2,085,672
2007	34,814,990	24,486,047		10,328,943	563,801	2,470,026
2008	33,740,272	25,312,860		8,427,412	900,187	2,873,641
2009	33,887,395	27,634,577		6,252,818	1,078,703	3,617,962
2010	32,909,945	25,802,618		7,107,327	1,855,088	4,218,928
2011	35,194,266	27,945,217		7,249,049	2,036,076	4,590,727
2012	36,164,866	26,334,303		9,830,563	1,991,438	4,640,815
2013	38,071,396	28,207,631		9,863,765	610,497	1,698,026

NOTE:

Details regarding the City's outstanding debt can be found in the notes to basic financial statements.

Operating expenses do not include interest, depreciation, or amortization expenses.

Debt service payments on the Certificates of Participation were not required until 2005-06.

Coverage	Balance in Rate Stabilization Account
	\$ 4,016,958
9.32	4,031,382
4.86	4,189,590
3.40	4,206,333
2.23	4,212,296
1.33	4,258,071
1.17	4,277,459
1.09	4,288,071
1.48	4,299,526
4.27	4,294,795

City of Santa Maria

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

FY Ended June 30	#Population	+Personal Income	+Per Capita Personal Income	*Median Age
2004	85,325	\$ 13,638,326	\$ 33,942	30
2005	88,793	14,493,150	38,313	30
2006	90,204	15,341,976	40,486	31
2007	90,333	19,020,000	47,302	32
2008	91,110	19,740,000	48,693	29
2009	92,542	18,976,000	46,619	29
2010	93,225	18,629,574	43,872	29
2011	100,062	18,629,574	43,872	**29
2012	100,199	18,629,574	43,872	**29
2013	100,306	**19,303,120	**45,219	**29

SOURCE:

#Department of Finance

+Bureau of Economic Analysis

++Economic Development Department of California

*U.S. Census Bureau

#+California Department of Education and California Community Colleges Chancellor's Office

**Information from Bureau of Economic Analysis last updated November 26, 2012.

#+School Enrollment	++Unemployment Rate
35,565	4.6%
36,385	4.1%
36,817	4.0%
30,299	4.2%
47,734	4.3%
24,917	9.8%
45,869	14.2%
46,563	14.6%
46,563	14.6%
43,367	9.6%

City of Santa Maria

PRINCIPAL EMPLOYERS

Current Fiscal Year and Ten Fiscal Years Ago

*Employer	*2012-13		
	Employees	Rank	Percentage of Total City Employment
*Vandenberg Air Force Base	6,623	1	13.48%
Santa Maria-Bonita School District	1,835	2	3.73%
Marian Medical Center	1,480	3	3.01%
Allan Hancock College	1,150	4	2.34%
C&D Zodiac Aerospace, Incorporated	1,100	5	2.24%
Santa Maria Joint High School District	722	6	1.47%
City of Santa Maria	622	7	1.27%
Betteravia Farms	450	8	0.92%
Vocational Training Center	366	9	0.74%
Wal-Mart	300	10	0.61%
*Lockheed Martin Corporation			
United Parcel Service			
Den-Mat Corporation			
	14,648		29.81%

SOURCE:

* City of Santa Maria 2012-14 Budget

** Northern Santa Barbara County Economic Outlook 2004

Although outside the City limits, Northern Santa Barbara County Economic Outlook considered Vandenberg Air Force base as a principal employer; whereas the more current survey conducted by the California Economic Forecast excluded employers outside the City limits.

**2003-04

Employees	Rank	Percentage of Total City Employment
4,897	1	14.55%
1,632	2	4.85%
1,400	3	4.16%
1,133	4	3.37%
337	10	1.00%
765	6	2.27%
482	9	1.43%
337	10	1.00%
1,045	5	3.11%
500	7	1.49%
490	8	1.46%
<hr/> <hr/> 13,018		<hr/> <hr/> 38.69%

City of Santa Maria

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function/Program	2004	2005	2006	2007	2008
Public safety					
Police protection services	157.5	162.0	162.0	170.0	172.0
Fire and emergency services	55.5	58.5	58.5	59.0	59.0
Utilities					
Water distribution services	33.5	34.5	34.5	41.5	39.5
Solid waste collection/disposal services	33.0	39.0	39.0	47.0	47.0
Public ways and facilities					
Streets services	21.5	25.5	25.5	24.5	24.5
Public transit services	1.0	2.5	2.5	2.5	2.5
Recreation and parks					
Recreation and parks services	101.5	121.0	121.0	129.0	136.5
Library					
Library services	38.0	38.5	38.5	38.5	49.0
Community development					
Planning and inspection services	22.5	23.0	23.0	30.0	26.0
Block grant/special project services	7.0	4.5	4.5	2.0	2.0
General government					
Legislative services	5.0	5.0	5.0	5.0	5.0
Legal services	11.0	11.5	11.5	12.0	12.0
Administration	11.0	12.0	12.0	12.0	13.5
Administrative services	19.0	18.5	18.5	22.0	25.5
Engineering and facilities maintenance	22.5	24.5	24.5	22.5	22.5
Special revenue					
Landscaping services	*	8.0	8.0	4.5	4.5
Public, education, government television	*	4.0	4.0	2.0	2.0
Internal service					
Fleet services	4.0	4.5	4.5	5.5	7.5
Risk Management	1.0	1.0	1.0	1.0	1.0
Total	544.5	598.0	598.0	630.5	651.5

NOTE:

*Employee by Function was not budgeted.

SOURCE: 2012-14 City of Santa Maria Budget

2009	2010	2011	2012	2013
172.0	169.0	169.5	169.5	169.5
63.0	60.0	54.0	51.3	51.3
40.5	40.5	41.5	41.5	41.5
48.0	47.0	48.0	48.0	48.0
24.5	24.5	23.5	23.5	23.5
2.5	2.5	2.5	2.5	2.5
136.5	134.0	119.5	121.0	121.0
49.0	46.5	40.0	41.0	41.0
30.5	28.5	26.5	26.5	26.5
2.0	2.0	2.0	2.0	2.0
5.0	5.0	5.0	5.0	5.0
12.0	12.5	11.0	11.0	11.0
12.0	12.0	11.5	12.5	12.5
25.5	24.5	23.5	23.5	23.5
24.5	23.5	21.5	21.5	21.5
4.5	4.5	10.5	10.5	10.5
2.0	2.0	2.0	2.0	2.0
7.5	7.5	8.5	8.5	8.5
1.0	1.0	1.0	1.0	1.0
662.5	647.0	621.5	622.3	622.3

Santa Maria



City of Santa Maria

OPERATING INDICATORS BY FUNCTION

Last Nine Fiscal Years

Function/Program	2006-08	2008-10	2010-12	2012-14
Police				
Number of stations	1	1	1	1
Calls for service	265,571	267,500	269,500	320,000
Fire and emergency services				
Number of stations	4	4	5	5
Calls for service	16,300	17,656	17,353	17,665
Utilities				
Water production/per acre feet	29,160	29,030	29,150	29,150
Meters Read	504,000	504,000	507,500	507,500
Wastewater treated/mgd	8.42	8.50	8.30	8.30
Solid waste collection and disposal services				
Residential and commercial accounts serviced	30,765	36,700	37,550	37,550
Residential and commercial tons collected	120,875	120,530	127,300	127,300
Average tons received at landfill/day	616	533	534	534
Street Services				
Streetlight maintenance/hours	5,446	6,774	8,637	8,637
Traffic Signal maintenance/hours	2,888	2,906	2,961	2,961
Transit				
Passengers	2,195,781	2,377,749	2,651,392	2,651,392
Miles	1,558,968	1,700,351	2,086,429	2,086,429
Recreation and Parks				
Program registrations	27,541	34,112	35,000	35,000
Facility attendance	2,364,519	2,742,883	2,800,000	2,800,000
*Park acres maintained	237	772	772	772
Trees managed	27,200	32,685	33,491	33,491
Library				
Cardholders	75,000	70,000	80,000	80,000
Materials checked-out	1,024,740	1,030,000	1,200,000	1,200,000
Community development				
Plan checks	3,052	1,239	1,300	1,300
Building permits issued	2,967	2,631	2,800	2,800

NOTE:

Indicators are tracked on a two-year budget cycle.

*Additional park acreage/open space purchased (Santa Maria River Trail and Los Flores Property).

SOURCE: 2012-14 City of Santa Maria Budget

City of Santa Maria

CAPITAL ASSETS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2004	2005	2006	2007	2008
Police					
Stations	1	1	1	1	1
Patrol units	33	41	42	43	41
Fire stations	3	4	4	4	4
Solid waste					
Refuse collection trucks	17	19	25	21	24
Highways and streets					
Street miles	196	206	203	219	220
Streetlights	6,100	6,500	6,654	6,600	6,900
Park acreage/Open Space	248	248	248	248	*772
Water hydrants	2,800	2,909	3,000	3,108	4,500
Sewer miles	206	237	240	240	330

*With the implementation of GPS, the Utilities Department no longer estimates the number of hydrants and sewer miles; these are actual counts.

SOURCE: 2012-14 City of Santa Maria Budget

2009	2010	2011	2012	2013
1	1	1	1	1
41	41	41	41	41
4	4	5	5	5
23	23	23	23	23
222	224	224	224	224
6,900	6,890	7,090	6,708	6,800
772	772	772	772	772
4,500	*3,280	3,300	3,300	3,300
529	*200	210	213	215

Santa Maria

